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Europe's attitude to investment in South Africa, Page 10

World news

UK lifts offer in teachers' pay row

The UK Government has raised its pay offer to teachers in England and Wales in an attempt to end a six-month dispute that has disrupted schools.

Sir Keith Joseph, Education Secretary, offered 4.6 per cent next year, rising to 10.4 per cent by 1989-90. Scottish teachers, involved in a separate dispute for almost a year, were offered 10 per cent over four years.

A union official for the teachers said he did not think the offer would prevent further disruption in the schools after the summer break. He said teachers wanted more money this year.

BBC reconsiders ban

BBC Governors are to meet again today to reconsider their controversial decision not to show a documentary film on Northern Ireland containing an interview with a reputed IRA leader, after a request by the Government not to screen the programme.

Druze reject talks

Druze leader Walid Jumblatt has ruled out talks with Christian militia opponents on ending Lebanon's civil war through agreement on political reforms, saying the future lay with a new Syrian-backed grouping.

Dhaka bomb blast

Five people were injured when a bomb blast rocked Dhaka's district court minutes after the judge jailed a man for life for murdering an opposition leader.

Bolivian president

Victor Paz Estenssoro was elected President of Bolivia in a congressional vote, inheriting one of Latin America's poorest and most volatile countries. Page 4

Israeli health threat

Doctors in Israel's state-owned hospitals threatened to close emergency wards, saying they could not take responsibility for patients because of a lack of medicines and supplies.

Iran foils hijack

Security guards aboard an Iran Air Tehran-Bandar Abbas flight foiled a hijack attempt, killing one man and capturing another.

Trek to West

Two Estonians reached Sweden after a 17-day trek through the forests of the Kola Peninsula in the Soviet Union, the Swedish newspaper Svenska Dagbladet said.

Wine blacklist grows

The blacklist of Austrian wines found to contain the poisonous sweetening chemical diethylene glycol has grown to 362 after an intensive nationwide hunt, according to the Viennese Health Ministry.

Prison riot kills 10

Heavily armed troops and police crushed Thailand's worst prison riot for a decade. Seven inmates were killed and three died later from their injuries.

Risky space mission

Details of a risky but successful mission to repair a crippled Soviet space station last June were given by Pravda, the Communist Party daily.

Marx-Engels statue

China unveiled a 70-tonne granite statue of Karl Marx and Friedrich Engels, 19th-century founders of modern Communism, in a Shanghai park.

Joint marijuana raid

More than 2,200 federal, state and local officials raided marijuana fields across the U.S. in what was described as the largest eradication effort ever.

Business summary

Italian budget deficit surges

ITALY'S public-sector deficit totalled L54,328bn ($28.7bn) in first six months, against a full-year target of L100,000bn. Page 12

DOLLAR showed small mixed changes in London, rising to SwFr 2.322 (SwFr 2.3115) and falling to FFr 8.6125 (FFr 8.615). It was unchanged at DM 2.825 and Y237.4. On Bank of England figures the dollar's index was unchanged at 137.5. Page 25

STERLING lost 30 points against the dollar in London to $1.3685. It also fell to DM 3.865 (DM 3.87), FFr 11.785 (FFr 11.8) and Y324.75 (Y325.75) but was unchanged at SwFr 3.18. The pound's exchange index was unchanged at 81.1. Page 25

WALL STREET: The Dow Jones industrial average closed 6.16 down at 1,346.89. Page 32

LONDON stocks moved lower and gilts were barely changed. The FT Ordinary share index shed 7.2 to 943.9. Page 32

TOKYO speculative issues found demand in dull trading, but the Nikkei-Dow market average dropped 41.65 to 12,450.62. Page 32

GOLD rose $2.75 on the London bullion market to $323.50 and $1.50 in Zurich to $323.75. In New York the Comex August settlement was $323.50. Page 24

FT GOLD MINES index slipped 6.5 to 309.2, with the nervous political situation precluding investment in South Africa. Australian prices improved, however. Page 24

YUGOSLAVIA showed 4.1 per cent rise in retail prices in July, according to the central statistical bureau. Prices were 74.2 per cent higher than in July 1984, and 40.5 per cent up on last December.

BRAZILIAN state companies dealing with coffee, sugar and alcohol; and tourism have been recommended for abolition after claims of inefficiency and corruption. Page 4

SPAIN has provided a boost for the growing Euro-commercial paper market with the announcement of plans to replace drawings under a year-old revolving underwriting facility with a new $500m programme. Page 13

KOMATSU, the world's second-largest maker of construction machinery, has reported stagnant pre-tax profits for the six months to June, 1985. Page 14

NIPPON STEEL, the world's largest steelmaker, plans to establish a financial subsidiary in London, with an initial capital outlay of $10m, to enhance its fund-management expertise. Page 14

HOUSE OF FRASER, the British Department stores chain that last week failed to block Burton Group's £560m ($756m) takeover of Debenhams, was believed to be buying more Debenhams shares to boost its holding above the strategically significant 25 per cent level. Page 17; Lex, Page 12

REUTERS HOLDINGS information technology group, said first-half pre-tax profits rose 44 per cent to £43.2m ($58.32m) but warned of possible adverse currency effects later. Page 16; Lex, Page 12

KRAFTWERK UNION of West Germany appears the favourite to win the contract to build Egypt's £715m ($965.2m) nuclear power plant. Page 4

SHELL FRANCAISE, French subsidiary of the Netherlands-based oil group, says it will decide finally next month whether to shut its Pauillac refinery in south west France.

ATLANTIC RICHFIELD, the U.S. energy group, has sold its 27 per cent interest in Jamaica's largest bauxite refinery to its two partners, Kaiser Aluminium and Reynolds Metals. Page 13

SWISS companies Georg Fischer, an industrial concern, and Adia, an international temporary employment agency, are each setting up joint ventures with Japanese partners. Page 13

PRESIDENT HAD 'MILD AND COMMON' SKIN CANCER ON NOSE

Reagan holds out hope of eventual halt to N-tests

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday nonchalantly announced that a "pimple" removed from his nose last week was a mild and common form of skin cancer caused by over-exposure to the sun.

A relaxed-looking Mr Reagan volunteered the information in answer to questions about his health in a televised interview with reporters in the White House.

In a brief but wide-ranging review of domestic and international issues, Mr Reagan also offered to join the Soviet Union in halting all nuclear weapons tests, once the U.S. had caught up with its own testing programme, and reaffirmed his policy of constructive engagement with South Africa.

With national concern over his medical problems still running high, the 74-year-old Mr Reagan dismissed the carcinoma on his nose as the most common and least dangerous form of skin cancer that was not known to spread. "It's gone," he said.

He would require no further examinations or treatment, although it was "a little hearthbreaking" that he would in future have to stay out of the sun and forgo his hitherto permanent tan. In his first direct encounter with the press since his major surgery for colon cancer three weeks ago, Mr Reagan described his overall health as "very good."

Mr Reagan opened the interview with a glowing account of the U.S. economy and the declaration of "a major fall offensive" to impose budgetary discipline and win congressional passage for his sweeping tax reforms.

On the eve of the 40th anniversary of the atomic bomb attack on Hiroshima, Mr Reagan responded sharply to the charge by Mr Mikhail Gorbachev, the Soviet leader, that the American decision to drop the bomb was "barbaric." He had always thought that Stalin's killing of 20m of his own countrymen was "barbaric," Mr Reagan retorted.

It was "ridiculous" he added, to try to second-guess tha decision to use the atom bomb, which had ended the greatest war in history and prevented more than 1m estimated casualties from the invasion of Japan. Horrible as it was, the bombing of Hiroshima had given the world a view of the threat of nuclear weapons and should help one day to get rid of them.

Mr Reagan said that he could not accept Mr Gorbachev's recent offer of an immediate testing moratorium because the Soviet Union had completed all the tests necessary to develop its new generation of nuclear weapons, while the U.S. had still to catch up. The U.S. had not completed, and in some cases, not even begun testing the weapons it needed to "keep pace," he said.

Mr Reagan added that once the U.S. tests were completed he would be ready for a permanent test ban, but he did not say when that might be. He appeared to suggest that the U.S. would first have to finish testing its planned mobile, single-warhead Midgetman missile, which is due to start flight-testing in 1988 for initial deployment in 1992.

Mr Reagan emphasised, however, that any such agreement should be reached at the Geneva arms negotiating table, rather than through the kind of unilateral initiative taken by Mr Gorbachev at the end of last month. If the two superpowers could agree in Geneva to eliminate all nuclear weapons,

Continued on Page 12

Reagan's popularity at all-time high, Page 4

VW-Audi leads Western European car market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

VOLKSWAGEN-AUDI emerged as leader in the fiercely contested Western European new car market in the first half of 1985.

It is the first time the West German company has taken the lead among the six main European groups, and it has a very good chance of retaining the position for the rest of the year.

VW-Audi raced past its rivals because of the success of the new Golf. The model was criticised when it was launched because it so closely resembled its predecessor. But the Golf II proved to be the fastest-selling car in European history, reaching 1m sales in only 24 months.

The first Golf previously held the record but took 31 months to reach sales of 1m.

About $880m was invested in the development of the new Golf and the assembly facility, Hall 54, at the group's Wolfsburg headquarters near the East German border, where automation has been taken further down the final asembly line than ever before.

Car sales in 17 West European markets (First half)

	1984	1985
Total sales	5,678,246	5,678,043
Market shares %		
Volkswagen-Audi	11.9	12.9
Fiat Auto	13.2	12.8
Ford	12.9	11.7
GM (Opel/Vauxhall)	11.7	11.6
Peugeot-Citroën-Talbot	11.2	11.5
Renault	10.6	10.8
Austin Rover	3.8	3.8
Daimler-Benz (Mercedes)	3.0	3.5
BMW	3.0	2.8

Source: Industry sources

VW says that output of the Golf II is currently about 3,200 a day, with Wolfsburg building 2,000, Brussels 700, Westmoreland (U.S.) 480 and Uitenhage (South Africa) 100. The company is recruiting another 4,000 workers to help to boost output in West Germany.

In the first half of 1984, the Golf accounted for 262,000 sales, or 4.6 per cent of the total West European market. In the same months this year, sales reached 311,000 and its penetration was 5.5 per cent.

In contrast, the fortunes of the models on which Ford, last year's European champion, and Fiat, very close in second place, rely on for a high proportion of their sales are fading slightly as they age.

It is widely expected that Ford will "face lift" its best-selling Escort early next year. Fiat's high position comes from the popularity of the Uno, launched early in 1983, and the strength of the Italian car market.

The gap between the top six producers came to only 2.1 percentage points. Renault, the sixth on the list, managed to recover some ground with the help of its new R5.

France's other leading manufacturer, the Peugeot group, made substantial progress mainly through the success of the Peugeot 205.

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EEC accepts U.S. steel curbs

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Commission yesterday initialled a peace deal aimed at defusing the long-simmering trade row with the U.S. over 16 "consultative" steel products.

But despite the outline agreement, which imposes new quotas on EEC exports, industry ministers must meet later today to discuss the measures and negotiate on how those and other ceilings on special pipe and tube sales should be divided between member states.

Final acceptance of a detailed accord on the consultative products was reached between Washington and Brussels only in the early hours yesterday after a weekend of telexed exchanges.

The measures allow the U.S. to impose an 198,000-short-ton quota on all EEC exports from the beginning of this month until the end of the year. Previously, access to the U.S. for the 16 products concerned was unlimited, although the consultative nature of the agreement meant the Community was obliged to discuss any marked shift in the market.

Record sales of 630,000 tons last year provoked the U.S. to seek a quota arrangement, with the threat of unilateral action if no deal was reached. The EEC, for its part, was forced to choose between agreeing an acceptable package or facing a complete ban on any further exports and imposing retaliatory trade restrictions on the U.S.

The conclusion of the talks means exports of the products, which include alloy wire rods, rails and wheels and axles, may yet exceed those of last year. The latest figures show that 386,000 tons were shipped in the period from January until the end of May, and the new agreement is based on the theoretical annual rate of sales of 475,000 tons, making the remaining five months' quota worth an additional 198,000 tons.

According to officials, the "key" for allocating the new quota among member states is all but agreed. However, during talks yesterday between senior officials, West Germany raised a separate issue concerning the division of quotas on special pipe and tube exports destined for the oil industry and successfully negotiated with the U.S. in January.

Bonn has long argued that its share of this 280,000 metric-tonne quota must be raised by 20,000 tonnes to 120,000 tonnes. It claims that transfer arrangements between Hoesch, the Dortmund-based producer, and its Texas subsidiary require the raised tonnage.

West Germany's implicit warning is that it might block agreement on the consultative steels deal if it is not satisfied on the pipes and tubes issue. However, other member states may be tempted to call Bonn's bluff when ministers meet today.

S. African mine owners willing to reopen pay talks

By Jim Jones in Johannesburg

SOUTH AFRICA'S mine owners yesterday indicated a more conciliatory attitude toward black miners who have threatened to strike in the country's gold and coal mines, making clear that their co-ordinating body, the Chamber of Mines, was willing to reopen talks that broke down at the end of June.

The National Union of Mineworkers (NUM), South Africa's largest all-black union, decided at a special national delegate conference at the weekend to call for a strike from August 25, effectively giving the chamber almost three weeks to put forward a compromise offer. That was interpreted by observers as suggesting that the union would prefer a negotiated settlement.

A statement by the chamber late on Sunday night appeared to rule out further talks, reiterating the organisation's view that a strike ballot of black miners three weeks ago had failed to give the union a mandate to call out its members.

The statement said "with few exceptions, wage increases implemented on July 1 have been well received by black employees. The NUM is looking for wage rises of at least 22 per cent plus increases in other benefits."

But indications yesterday were that the talks that broke down at the end of June, leading to the chamber's unilateral implementation of wage increases of between 14.1 and 19.6 per cent on July 1, might be reopened.

The chamber has not yet responded directly to a NUM offer to consider a "realistic" improved offer, but is expected to do so within days.

The chamber's representatives yesterday met behind closed doors to hammer out a joint negotiating approach to the union ahead of the August 25 deadline, while other chamber officials accompanied Mr Gerrit Viljoen, the Co-operation and Development Minister, on a fact-finding visit to various gold mines.

The visit had been planned some weeks ago, as was a dinner meeting on Sunday night between Mr Viljoen, Mr Clive Knobbs, the chamber's president, and Mr Johan Liebenberg, the chamber's labour adviser.

The chamber did not disclose the content of its talks with Mr Viljoen, who is responsible for the influx controls

What the miners' strike means, Page 3; Europe's attitudes to investment, Page 10; Australian gold shares soar, Page 32

Turner offers $1.5bn cash for MGM/UA

BY TERRY DODSWORTH IN NEW YORK

MR TED TURNER, the U.S. television entrepreneur, emerged yesterday as the front runner in the race to take over MGM/UA Entertainment, the Hollywood film production and distribution group, with an offer valuing the company at $1.5bn.

The film group has been the subject of heavy takeover speculation, attracting interest from several investors, including Egypt's Al-Fayed family and Mr Charles Knapp, the former head of Financial Corporation of America.

Mr Turner jumped to the head of the pack with the offer of $29 cash per share for MGM/UA, formed from the amalgamation of Metro-Goldwyn-Mayer and United Artists. The offer is substantially more than the $24 a share which Wall Street had been expecting. By early afternoon, shares in the film group had soared in heavy trading by $4½ to $22¾. Before the takeover speculation, MGM/UA had traded as low as $10 a share this year.

The two companies said that, although no agreement has yet been reached, part of the deal would involve the spinning off of the United Artists film production subsidiary for around $270m in cash. The division would be acquired by Tracinda, a company owned by Mr Kirk Kerkorian, the main shareholder in MGM/UA, with about 51 per cent of the equity.

Mr Turner, chairman of the Atlanta-based Turner Broadcasting television group, said yesterday that the proposed acquisition presented a "tremendous" business opportunity and was an "exceptional fit" with the group's long-term business plans. He did not say how he intended to finance the offer.

His move follows indications that his more ambitious bid for CBS, the premier U.S. television network, has failed after the TV group's vigorous fight-back. MGM/UM would provide an alternative vehicle for expansion because of the programming that could be supplied to the Turner Broadcasting network from the film group's studios and coveted film library.

Unions back Icahn's $787m TWA bid

BY WILLIAM HALL IN NEW YORK

MR CARL ICAHN, the New York financier, has joined forces with the two most powerful U.S. airline unions and made a $787m counter-bid for Trans World Airlines (TWA), the big U.S. transatlantic airline, which had agreed in June to a takeover by Texas Air.

Mr Icahn, who owns 35 per cent of TWA and has been rebuffed in an earlier $18-a-share bid for the airline, announced yesterday that he was offering $24 a share in cash and securities for TWA – $1 more than Texas Air was offering under its agreed bid.

A key element in the deal is an agreement that has been reached between Mr Icahn, one of the most feared corporate raiders on Wall Street, and the Airline Pilots' Association (ALPA) and the International Association of Machinists and Aerospace Workers. Under the agreement, which has to be ratified by the union members, an Icahn-controlled TWA would receive substantial wage concessions and TWA staff would get shares in the company and the chance to share in the profits.

In early trading yesterday, TWA shares rose $⅝ to $22¾.

Since TWA announced that it had agreed to be acquired by Texas Air, TWA unions have been trying to block the takeover. They fear that if control of the airline were to pass into the hands of Mr Frank Lorenzo, Texas Air's president, he would impose swingeing pay cuts. When Mr Lorenzo took over Continental Airlines in 1983, he put the carrier into bankruptcy and halved pilots' wages.

Although the pilots are still on strike at Continental, the carrier has been able to rebuild its operations as a low-cost airline.

After the Texas Air takeover was announced TWA unions approached Mr Icahn for help. Early last month the pilots agreed to take a 20 per cent pay cut in return for their proportionate share of the 20 per cent of TWA common stock reserved for employees under Mr Icahn's plan.

It was unclear yesterday whether the new deal between Mr Icahn and the unions differed much from the earlier version, but Mr Icahn said that under the new three-year agreement, the pilots had increased the amount of concessions offered.

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Clergy will join election boycott says Solidarity

BY LESLIE COLITT IN WARSAW

DR BRONISLAW GEREMEK, a leading member of Poland's banned Solidarity trade union, yesterday predicted that the Government was far from its goal of "normalising" the country and that a majority of younger elergyman would urga a boycott of tha forthcoming national elections.

Dr Geremek was responding to President Wojciech Jaruzelski's weekend statement that Solidarity offered no positive solutions and that it was "hard to call them an opposition." The union'a underground leaders last week appealed for a boycott of the elections on October 13.

General Jaruzelski said the enemies of socialism were hopelessly stuck in the "dying structures of the underground." He predicted that ordinary Poles, who only recently were "deeply divided" would go to the elections.

The forthcoming parliamentary elections — originally set for last year—were postponed because of official fears of widespread protests. They are now seen as a test of Solidarity's credibility after its limited success in calling for strikes to protest price rises on July 1.

Dr Geremek, one of the chief advisors to Mr Lech Walesa, leader of Solidarity, said that while the hierarchy of the Polish Catholic Church remained neutral on the elections hy saying it would stay out of politics, younger clergymen had been formed "in the image. of Father Jerzy Popieluszko," who was murdered by security police officials.

He said that, while the normal structures of Solidarity were gone, millions of its former members refused to join the new official trade union. Hundreds of underground publications floorish, he noted, with new ones springing up each month.

The Solidarity adviser acknowledged that Poles were "fatigued," and that, if the Government offered them material goods, they would accept. "But the Government has nothing to offer," he remarked, "and this frustration could be very dangerous for the future."

Followiog the trials of Solidarity activists in Gdansk and of two priests, he explained, there was a dangerous radicalisation among Solidarity supporters, especially among the younger ooes. They would have to be given "moral guidance" by the union and the Catholic Church.

As Dr Geremek spoke, other young Polea streamed out of a nearby church in Warsaw's old town oo the eve of two weeks of pilgrimages to Poland's nationl shrine of the Black Madonna in Czestochowa.

"They will be learning the lessons of national history, law and ethics, as they do all year long in churches throughout the country," he said.

Seven Congressmen begin three-day visit to Poland

BY OUR WARSAW CORRESPONDENT

SEVEN U.S. Congressmen begin a three-day visit to Poland today, which is to include talks with the Polish Finance, Agriculture and Foreign Ministries.

The members of the House of Representatives' sub-committee on Overseas Government Operations are said to he primarily concerned with the U.S. Embassy officials in Warsay and other U.S. diplomatic missions in Europe, which they are visiting.

However, they have also arranged for contacts with Polish officials in tha wake of the recent agreement rescheduling Warsaw'a debt repayments due to the U.S. and other Western governments.

Poland hopes this will clear the way for it to join the International Monetary Fund.

Battery failure paralyses Soviet space station

BY OUR MOSCOW CORRESPONDENT

TWO broken batteries rendered the Soviet Union'a ageing Salyut-7 space station lifeless last winter and Moscow had to send up two cosmonauts to put things right, Pravda reported yesterday.

Mr Vladimir Dzhanibekov aud Mr Viktor Savinykh, with five missions between them, hlasted into orblt in June, ostensibly on a regular space flight aboard the 47-toune station. The Communist Party daily, said, however that the three-year-old Salyut-7 had been paralysed since to batteries malfunctioned which caused the station'a power sunply to fail.

It did not say exactly when the system broke down hut placed the failure some time between October, when the previous crew left, and March, when mission control decided to act.

Without power all the equipment, including the heating, broke down and water supplies froze as the temperature inside plunged to 32F (0C).

The cylindrical station did not respond to signals from mission control and the cosmonauts' docking had to be done manually, Pravda said.

Once docked, the two men tested the atmosphere inside Salyut-7 before inspecting the damage. They found everything frozen and set about fixing the batteries, which gave fully charged signals although they were dead. The cosmonauts took 10 days to position solar panels manually from inside the craft and get electricity flowing again.

Soviet Union relaxes controls on production

By Our Moscow Correspondent

The Soviet Government and Communist Party has announced further steps to give individual enterprises and ministries more control over their own production and profits, Pravda reported yesterday.

The joint state and party resolution follows Soviet leader Mikhail Gorbachev's stern words at a central committee meeting in June when he called for a turn to greater economic independence at grassroots level and an improvement in technological production.

The official decree gives the green light for all machine building, light, food, meat, fish and service industries to go over to low-level decision making and profit redistribution from next year. Others would join the experimental scheme in 1987, it said.

The resolution urges closer scrutiny of production standards but specifiees financial incentives for factories which improve quality. For example, a 5 per cent bonus on the price of a product will be paid if it meets standards, a 5 per cent cut if it does not.

The orders will give managers some of the levers needed to encourage greater labour prodnctivity but, as Soviet officials have been at pains to stress, it does not mark a shift to the market economy, rather the more effective use of existing mechanisms.

Moscow introdneed a limited economic experiment in some parts of the country in 1984 and, after seeing positive results, extended and broadened it this year. The latest announcement takes the process a stage further but does not complete it. Pravda said individual plants would have tha right to use profits to refurbish and npdate equipment. By the end of the next five year plan, they will be able to use their own funds to build workers' houses and other ancillary buildings. Money from the State for such projects would be harder to get then, it said.

Lisbon granted Ecu 35m loan

By Ivo Dawnay in Brussels

PORTUGAL HAS been granted an Ecu 35m (£20.2m) loan from the European Investment Bank (EIB) for improvements in roads, tourism, energy and environmental protection schemes and aids to industry, the European Commission announced yesterday.

The funds come under special financing arrangements to help Lisbon prior to its accession to full Community membership in January.

The largest proportion of the loan, Ecu 26m, is to be spent on improving six sections of the main road linking Villa Formosa on the Spanish border with the ports of Aveiro and Coimbra.

EIB loans to Portugal total Ecu 660m under a series of schemes dating from 1975. After accession, Lisbon will have free access to EIB finance on equal terms with other EEC member states.

Rupert Cornwell reports on a broadcasting service embarrassed by its own success

British forces network wins army of listeners

THE MUCH put-upon BBC may be smarting over cuts and disingenuous ministerial meddling in its affairs, while the shine has long since worn off private commercial radio.

But there is one British broadcasting service—and a Government financed ooe to boot—which is doing very nicely indeed. The only thing is, it operates out of Cologne.

Last week, which everyone remembers as the British Forces network in Germany, hut now grandiosely renamed the British Forces Broadcasting Service (BFBS)—a division of the Services Sound and Vision Corporation — celebrated 40 years on the air.

Among the anniversaries endured io West Germany in 1985, four decades after the end of World War II, that of BFBS was low key, but indisputably one of the more cheerful. All that could be said to have marred it was a tinge of embarrassment over the network's very success.

In theory, BFBS is there to provida a link with bome for British soldiers in the Rhine Army and the Berlin Garrison together with their families, 160,000 sonls in all.

In fact, its round-the-clock service, and breezy, unmilitary, style have won it a supplementary German audience running into millions.

Arguably, the £22m spent annually on the radio and its much less accessible TV sister-service represent an unrivalled invisible investment by Britain to secure goodwill.

Private radio is, moreover, feeling out an uncertain way here: BFBS has been bombarded with inquiries on just how it is possible to provide such a slick, 24-hour service with a staff in Cologne of just 50, only 12 of whom are UK nationals.

In fact, there is more to it than that. The record programmes and chat shows—interspersed with a few more soldierly items such as aviation reports and forthcoming British Army of the Rhine events—which originate in Cologne, are only part of the package.

BFBS's London studios, in Paddington, produce 50 hours of programmes a week, while the network can draw on BBC news bulletins, as well as the BBC's transcription service.

The end-prodnct may not be particularly highbrow. But with 70 per cent of the target audience under 30, it is antertaining and informative: which is why an estimated 5m Germans listen in too.

One unofficial study reckons that 10 per cent of all West Germans between 16 and 19 hear BFBS—and that despite the fact it can only be picked up in the old British Occupation Zone, roughtly a 650 km lozenge of territory stretching through the northern half of Germany from Aachen to Berlin.

"I wish British Forces Radio wouldn't keep broadcasting their weather forecast."

These are figures on which, understandably, BFBS prefers not to dwell. Bigger certified audiences mean higher copyright fees for material used, and that may be one smallar reason why German listeners are not put through on phone-in shows.

The main one, though, is practical, according to Mr Richard Norton, BFBS's regional director at the service's unassuming headquarters in the opulent Marienburg district on the southern fringe of Cologne.

"There is no discrimination. It is just that if we had German callers, our primary British audience would never get through at all," he says.

But why has BFBS done so well? A crude explanation might be that it has never had much to heat. When forces broadcasting in Germany started in 1945 in Hamburg, domestic German radio, like the country at large, was discredited and in ruins.

BFBS provided one link with a hostila outside world — all the more so since typical offerings of the day, such as jazz and swing music had been hanned by Dr Goebbels and the Third Relch as "decadent." Duke Ellington was among the early visitors to the Hamburg studios.

Today, of course, that has changed. Many Germans tuna in because they want to learn English — it is an intriguing question to what extent BFBS and its U.S. counterpart further south have contributed to the invasion of Anglo-Saxon words into everydoy modern German.

Others like the laid-back, unchauvinistic sometimes self-deprecating style. Many simply consider BFBS more fun than their own radio.

BFBS may be under tha aegis of the Ministry of Defence in London, and its terms of reference, precluding any comment on domestic politics in West Germany, may be laid down by the Nato Status of Forces Agreement.

But the fact remaina that its dlse joekeys, several of them refugees from floundering local radio in the UK despite the MoD identification cards they carry, seem to get their hands on the latest pop records a great deal more quickly than purely German stations.

Over the years, some of them have become household names here — latter-day successors to the Cliff Mitchelmores and Raymond Baxters who worked with Forces Radio before moving back bome.

Germon radio, on the other hand, can — with o few exceptions — be most politely described as staid and worthily didactic. Educative it may be, but entertaining almost never.

Young Germans, part of an ever-more internationalised culture, plainly want easier listening. If the homegrown product cannot provide it, then they will turn to BFBS.

Britain helps clear Malta harbour

By Godfrey Grima in Valetta

BRITAIN IS to pay part of the cost of clearing wartime wrecks and unexploded bombs from the entrance to Malta'a Grand Harbour.

The operation, believed to have cost about £3m is almost completed and ships of up to 80,000 tons can now call at the wheat silo on the edge of the harbour.

The silo forms part of Malta's plan to become a transhipment centre in the Mediterranean.

A second clearance operation is expected to start shortly at Kalkara Creek running off Grand Harbour. Britain again is expected to finance a portion of the costs.

Britain's decision to shoulder part of the expense illustrates the improvement in Anglo-Maltese relations since Premier Dr Carmelo Mifsud Bonnici took over in December from Mr Dom Mintoff.

Premier Mifsud Bonnici also hopes to mend fences with Italy, Dr Alex Sciberras Telgona, the Foreign Minister, and Dr Joseph Cassar, dtputy Premier, were in Rome over the weekend for talks with Sig Gulio Andreotti, the Italian Foreign Minister.

Both sides are said to have made further progress in negotiating fresh economic and co-operation accords.

The breakthrough in relations with Britain came in April, four months after Premier Mifsud Bonnici took over. Teams of Royal Navy divers were flown to help sweep the Grand Harbour'a seabed.

Last week Britain hired a floating crane to lift the remains of a cargo ship, the Talabot, sunk by German bombers in 1942.

Malta and Britain had been divided for years on which country should finance the sweeping of Grand Harbour.

West German job figures pose a problem

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S labour market figures cause a lot of head-scratching these days. They show unemployment higher than a year ago, but also more people with jobs.

The statistics thus provide a happy bunting ground with the Bonn Government saying things are improving, and the opposition insisting they are not.

The apparent contradiction is underlined by the statistics for July, just released by the Federal Labour Office (BFA). They show that last month 2.22m people were out of a job, the highest-ever figure for July.

The total is nearly 1 per cent higher than in July, 1984, and means the unemployment rate—jobless as a percentage of the dependent labour force—has risen to 9 per cent from 8.9 per cent a year earlier.

That is the BFA's bad news. The good news: that the number of job vacancies totals nearly 120,000—some 21 per cent more than a year ago; the number of those on short time work has dropped by 59 per cent to 108,000; and the total number of people employed is about 50,000 higher than in mid-1984.

How coma? Much of the answer emerges from a study just released by Industriekreditbank-Deutsche Industriebank, which specialises in lending to medium-sized industrial companies.

It notes that in the first quarter, the number of people employed rose against the figure for the previous year for the first time since the start of 1981.

There were two opposing developments. While the number of jobs in manufacturing—excluding building and energy — rose in January, February and March by 0.3 per cent, 0.5 per cent and 0.7 per cent respectively against the figures a year earlier, the total in tha crisis-ridden building sector fell by 5.6 per cent, 8.5 per cent and 11.7 per cent.

The bank notes that in both absolute and relative terms, the number of jobs lost in building exceeded those gained in manufacturing. But the total number employed overall rose because of the continuing increase in jobs offered by the services sector.

The study mentions two key reasons why, despite all that, the number of peopla registered as unemployed went up in the first half year against 1984.

One reason is demographic—namely that more 16-to-19-year-olds than ever before have been coming onto the job market.

Tha second is both economic and psychological. People not previously appearing in the statistics—members of the so-called "dormant labour reserve"—are now emerging onto the market.

They include, for example, women whose families have grown up and who want jobs outside the home. On the one hand, this implies more competition for the work available; on the other, people who previously felt they had no chance of finding a job, now believe prospects have improved.

There is also another key factor—industry's crying need for more highly-trained specialist workers.

Orders to West German industry dropped by 2 per cent in June from May because of a fall in foreign demand, the Economics Ministry said yesterday, writes Jonathan Carr in Frankfurt.

While domestic orders rose by 1 per cent (adjusted both for seasonal factors and price changes), those from abroad dropped by 5.5 per cent.

The figures for a single month are frequently revised. But the statistics for the two months May-June taken together, and therefore less liable to fluctuation, also show little impulse from abroad.

Domestic orders were up by 1.5 per cent against March-April but foreign orders fell by the same amount.

Overall industrial orders in May-June were 7.5 per cent above the figure for the same months last year.

Nasa sets price scale for shuttle flights

BY PETER MARSH

THE U.S. National Aeronautics and Space Administration will charge space shuttle customers from 1988 on a sliding scale depending on demand in an attempt to increase revenua from the flights.

This unusual arrangement, which differs from the current policy in which prices are pegged for three-year periods, was announced at the end of last week by the White House.

It follows several months of discussion by President Reagan and his advisers on how to increase revenna from flights of tha three-vehicle shuttle fleet, which is losing $100m-$200m a mission.

Under the new arrangement, governments and companies with satellites to launch will send their requirements to Nasa, together with a suggested price for a specific date.

The minimnm price for the launch of a satellite that takes up the whola of a shuttle's cargo area is to be $74m (£54m). The current fixed price is $71m.

After receiving a customer's offer, Nasa will then accept it or turn it down, depending on bids received from other potential shuttle users.

This means that the owner of a standard-sized satellite will pay a minimum of only a little more than the $25m currently charged.

The White House is, however, elearly hoping that market forces will enable Nasa to push up prices, so increasing overall revenne.

Nasa says $74m a mission—at the envisaged 1989 flight rate of 24 flights a year—should enable it to cover operating costs.

However, any extra cash Nasa can obtain will be welcome. The Nasa projections for flight rates may be unrealistic on the grounds that operating difficulties may force the agency to less than 24 flights a year, leading to a shortfall in the cash that it collects.

The new prieing arrangements are for flights after October 1, 1988. Prices for space shuttle missions for the Defence Department and other U.S. Government organisations will be worked out separately.

Shuttle flights for "innovative" applications—such as missions where commercial organisations try out new techniques in materials processing or hiology experiments—will continue to gain a government subsidy.

Peter Marsh on complaints over methods of allocating satellite positions

Jostling for space in a busy orbit

THE U.S. is to unveil this week a series of proposals designed to dampen Third World demands for a rigid planning system to allocata orbital positions and radio frequencies for communications satellites.

The proposals will be put before a special conference of the International Telecommunication Union, an agency of the United Nations, which representatives from about 120 nations are expected to attend.

In its submission to tha gathering, tha U.S. will call for a voluntary moratorium by the industrialised nations on using some portions of the frequency spectrum for satellites, leaving these sections clear for use by the Third World.

The U.S. wants to simplify the procedures for notifying the ITU of plans for satellite launches, a move that it claims should cut administration costs and especially help developing countries.

The six-week ITU meeting, which starts in Geneva on Thursday, has been convened especially to thrash out problems over allocations of satellite slots lo the geostationary orbit 36,000 km above the Earth, an area of space rapidly becoming congested due to the growth in demand for communications vehicles.

At the gathering, one of a series of World Administrative Radio Conferences, representatives from the developing world will complain that the industrialised nations have grabbed an unfair share of slots in the orbit, reducing the ability of the poorer countries to run their own satellite services.

The meeting will decide on a hroad strategy over satellite allocations, leaving final decisions to a further ITU conference in 1988.

In the geostationary orbit, a space vehicle rotates at the sama speed as the Earth. It appears to hover at a fixed point above the earth and can act as a relay point for radio waves transmitted betweeo different places on the Earth'a surface.

Positions for satellites in the orbit, and also the exact frequencies on which the craft receive and transmit, have to be carefully regulated due to problems over interference between radio signals transmitted by adjacent satellites.

About 80 commercial communications satellites are in the orbit; most of them are owned by the U.S., Soviet Union, Canada, Western Europe, Japan and Intelsat, the international body for satellite communications.

A further 100 or so commercial communications satellites, worth a total of about $6bn, are due to be launched over the next five years.

The geostationary ring is also home to another 40 satellites for military, scientific and meteorology applications, which add further congestion to this region of the heavens.

In recent years, countries such as Colombia, India and Kenya have demanded that places in the orbit should be allocated equitably through a rigid planning system administered by the ITU.

Nations then would have a guaranteed right to a series of orbital positions, even if they were years away from wanting to fill the slot with a satellite.

In one option that some debt-ridden Third World countries have mooted, positions in tha orbit could be "rented" to a rich country for a large fee or possibly handed over as part of bartering in a trade deal.

A system of strict planning would differ from the present "first come, first served," procedure under which a country with a satellite in orbit gains the right to replace it with another vehicle in subsequent years.

This procedure, according to the Third World, automatically favours the richer countries which are more advanced in satellite technologies.

The industrialised nations—led by the U.S., which is easily the leader both in making and operating satellites — have argued that an inflexible set of rules would make it harder for companies and Governments to adopt new communications technologies to expand business opportunities.

The U.S. proposals, to ha put by a 50-strong delegation led hy the State Department, will aim to head off calls for a tight planning regime.

The U.S. is to suggest a voluntary moratorium by the rich nations on launching satellites to transmit and receive in two small and little-used portions of the electro-magnetic spectrum, from 4.5 to 4.8 GHz and in another (as yet unspecified) band at around 7 GHz.

Under the proposal, the richer countries would be free to continue using the main satellite bands, at 4, 6, 11 and 14 GHz.

Other elements in the scheme drawn up by the U.S. would simplify the procedures by which one country notifies the rest of the world of its plans for satellite launches.

At present, nations with satellites to launch inform the ITU of their proposals. Then follows the business of long negotiations with other countries which think that radio traffic from tha vehicle could interfere with their own satellite or ground services.

Under the U.S. suggestion, groups of countries with worries about satellite interference would get together for multilateral discussions, which would cut the time and expense of the system of bilateral meetings.

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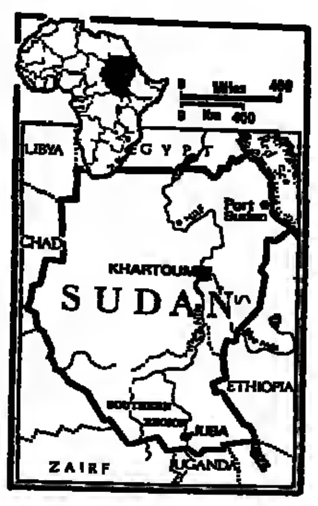
Sudan's leaders still struggle to beat the Nimeiri legacy

BY JOHN MURRAY BROWN IN KHARTOUM

THE NEWS a fortnight ago that the Ugandan President, Dr Milton Obote had been ousted by a civilian-backed military coup was greeted with a wry smile by many in Khartoum, where the talk recently has been of Sudan's own Uganda factor.



The centrifugal forces at play in Sudan's internal politics were held in check for 16 years by former President Jaafar Nimeiri through a combination of repression and political opportunism. They were backed by the connivance of Western allies who calculated that the bankruptcy of the regime was a small price to pay for a foothold in the strategically important Horn of Africa. These forces have begun to re-assert themselves against Sudan's new regime.

The new Government of General Abdul-Rahman Swareddahab, who took over from President Nimeiri in a military coup last April, has only now begun to fully appreciate the country's problems: an unprecedented debt crisis; a civil war in the south of the country; and a famine in the west which threatens the lives of 1.3m Sudanese.

Underlying these tensions is the fact that Sudan is divided broadly along religious lines, with the Moslems dominating the seats of power in the north and the Christians and traditional religions in the south.

The lack of political experience of the civilian Cabinet, headed by Dr Gizouli Dafalla, the prime Minister, has begun to show. Serious divisions have developed both within the Cabinet and between it and the military council. Disputes over policy towards the International Monetary Fund and disagreements over the recent military protocols signed with Libya have resulted in the threatened resignation of and rumours of the departure from Government of Gen Osman Abdullah, the Defence Minister.

There is little sign of a consensus appearing. The sight of Mr Sadiq el-Mahdi, leader of the traditionalist Umma Party and Mr Ibrahim Nugud, the Communist Party leader, on the same platform denouncing the IMF highlights the political vacuum rather than any apparent meeting of the minds.

The constitution is still not agreed. Sharia, the strict Islamic legal code seen by many as a stumbling block to resolving the guerrilla war in the south is still on the statute books.

The Attorney-General has declared his support for amputation, one of the more notorious aspects of Sharia, as the punishment for theft.

Indeed, the southern problem looks far from a resolution. A new government offensive to clear the road from Juba through to Bor, the stronghold of Col John Garang, the leader of the rebel Sudan People's Liberation Army (SPLA), is reported to have run into difficulties. This highlights the political failure of government to engage Col Garang, head of the most powerful guerrilla movement fighting the Government, in negotiations.

According to Mr Clement Jenda, secretary-general of the Sudan Council of Churches and a member of the delegation sent to negotiate with Col Garang in Addis Ababa in May, Government attempts to out-manoeuvre the rebel leader diplomatically by its rapprochement with the rebels' main supplier, Libya, and militarily by this present offensive, can only harden Col Garang's position.

The emergency in Sudan's drought-stricken west has also become critical. The relief operation has foundered, largely over a failure on the part of relief agencies to correctly assess the logistics problem early enough. The country's main port, Port Sudan, is inundated with food aid shipments. A critical post-mortem of the aid effort is under way.

Sudan's domestic economy has not escaped the effects of the emergency. The huge demand for freight, with rates up by 400 per cent, has led to inflated food prices. The recent 20 per cent reduction in diesel prices will only marginally affect the freight rate and will cut government revenues by S£135m (£38.8m).

Pressure from the unions, which were instrumental in bringing about President Nimeiri's downfall, is mounting and the Prime Minister has sided with the unions against his Finance Minister. Donors remain concerned that Sudan is not heeding the IMF calls for reform.

The trial of Government officials believed to have been involved in the evacuation to Israel of Ethiopian Jews, or Falashas, from their drought-ravaged homeland earlier this year appears to be a serious distraction at the moment. But the general situation where a formidable array of problems faces the country clearly gives rise to the fear of history repeating itself.

Singapore workers 'may have to forego wage rises'

FINAL figures may show Singapore's gross domestic product (GDP) declined in the second quarter, and workers may have to forego wage increases for two or three years if matters do not improve, Mr Goh Chok Tong, first deputy prime minister, said, AP-DJ reports from Singapore.

Last week, another government minister, Mr Lee Hsien Loong, revealed that preliminary data indicated the country's GDP was flat in April-June, the economy's worst showing since Singapore gained independence 20 years ago.

Mr Goh, speaking to students at the National University of Singapore, said the rapidity with which Singapore's economic growth has tailed off over the past year and a half was alarming. After registering a real 10.1 per cent expansion in the first quarter of 1984, the country's GDP growth rate progressively slowed to the zero or negative rate registered in the second quarter of 1985.

After Singapore's phenomenal growth rates in the past, "we are passing through a delicate period of our history," Mr Goh told the students. He said the political leadership, the electorate and the economy are "changing gear."

Indian team travels to Colombo for Tamil talks

BY K. K. SHARMA IN NEW DELHI

SENIOR officials of the Indian Ministry of External Affairs will leave for Colombo today for talks with the Sri Lanka Government on proposals for autonomy for the Tamil minority.

It is hoped that details can be worked out for an autonomy plan to be presented to Tamil militants when they resume talks with Sri Lanka representatives at Thimpu, the remote capital of the Himalayan kingdom of Bhutan, from August 12.

An earlier round of talks between the Tamils and a Sri Lanka delegation at Thimpu last month showed wide differences between the two. The meeting was adjourned, rather than allowed to collapse, after intervention by Indian officials.

The Indian officials are continuing their behind-the-scene consultations with both sides in a bid to ensure that a 12-week cease-fire in Sri Lanka does not collapse. The ceasefire has halted ethnic violence that has lasted more than three years and taken an estimated 2,000 lives.

At the last round of talks, Tamils complained that Sri Lanka was repeating proposals for devolution of powers to district councils that they had already rejected. They have abandoned their demand for an independent homeland they call "Eelam" but want provincial councils set up in the northern and eastern parts of the island with powers similar to those given to Indian states.

Mervyn De Silva reports from Colombo: Mr Rajiv Gandhi, the Indian Prime Minister, has urged President Jayewardene, of Sri Lanka, to present more clearly defined proposals "for meaningful and substantial devolution of power" to the proposed provincial councils. He has also advised Mr Jayewardene to raise Sri Lankan representation at the Thimpu talks "to an appropriately high political level."

Mr Gandhi's views were conveyed to President Jayewardene last weekend by Mr J. N. Dixit, Indian High Commissioner, who returned from Delhi after consultations with Mr Gandhi.

Jim Jones explains why both sides in the dispute are likely to soften their stances

Reality behind the S. African mines rhetoric

ON THE face of it last weekend's strike threat by large numbers of South Africa's black miners could deal a telling blow to the country's fragile economy and its even more brittle social structure. South Africa is in the midst of its worst recession since the Second World War. This has resulted in massive increases in black unemployment which in turn has exacerbated the country's racial tensions.

The mining industry is pivotal to South Africa's economic health. Gold and coal mines provide employment for almost one tenth of the country's workforce and gold provides two fifths of annual export earnings. Mining, as a whole, provides about one seventh of the country's gross domestic product.

Both the National Union of Mineworkers (NUM) which claims to represent about 200,000 of the gold and coal industries' 550,000 black employees, and the Chamber of Mines, which is the mine owners' co-ordinating body, have took initially intransigent stances. The union threatened to call its members out on strike on August 25 unless it receives "realistic" proposals for improvements to the wage increases implemented unilaterally by the chamber on July 1. For its part, the chamber reiterated its view that the July 1 increases—which range from 14.1 per cent to 19.6 per cent — were implemented only after the union had failed to present "realistic" bottom line wage demands. The chamber is also adhering to its warning that a strike will not lead to wage improvements.

The reality appears to be somewhat different. Despite its claimed membership, the NUM is not a strong union. It has precious few cash resources and its vaunted foreign support comes from the comparatively insignificant Miners' International Federation (MIF) which does not have resources to help finance a strike by tens of thousands of black South Africans.

The employers are by and large energetically seeking a settlement which will not bedevil relations with the black workforce ahead of next year's abolition of the final legal barriers to job advancement for blacks. Next year blacks will be admitted to all jobs currently reserved for whites.

Government is the wild card in the pack. In April this year when the dispute between black miners and Vaal Reefs, South Africa's largest gold mine, was at its height, the authorities decided unilaterally to encamp several hundred armed policemen on the local golf course for several days in full view of the mine. In the event, the Vaal Reefs dispute ended with the dismissal and almost immediate rehiring of almost 14,000 men. The police disappeared.

Now, with the country's state of emergency, in which police and army units are stretched in holding down the bubbling insurrection in many of the nation's black townships, police action to quell mine labour disputes would seem to be out of the question.

Anglo American, South Africa's largest mining house and the group with more unionised black employees than any other, believes that military action to quell mine disturbances would necessitate large-scale mobilisation of army reserves. This would be widely interpreted as proof that South Africa's unrest was increasingly out of control. As a result, Anglo representatives privately believe the mine wages dispute will be left to the union and employers to resolve without Government interference.

On the assumption that the 28 gold mines and mine divisions, which the NUM claims support strike action are halted South Africa would theoretically suffer a gold production loss of just over one tonne worth more than R200m (£6.56m) a day.

This of course assumes that mine operations would be halted immediately and completely. In practice, many mines have stocks of ore lying on the surface, which could be used to keep the milling plants fully occupied for some weeks.

In addition, there are some weeks of stocks of refined gold lying at the Rand Refinery, which implies that export sales are unlikely to be interrupted by anything but an extremely protracted total stoppage. Any slowing of South Africa's gold exports could very well lift gold prices in world markets and thereby help compensate for lower South African sales.

The industry's apparent capacity to absorb production stoppages has not been lost on the NUM. The union cannot afford a full scale protracted strike and the chamber believes that the union would have difficulty in controlling strikers for more than a few days.

As a result the union's most likely alternative strategies are to target specific mines for strike action or to organise a series of disruptive short stoppages which could seriously dislocate mine production. This latter strategy was one which led to the mass dismissal at Vaal Reefs in April.

The chamber has indicated a willingness to step back from its earlier hard position that the July wages increases were final. It now says that it is prepared to negotiate further though it still cautions that strike action will not lead to wage increases. The chamber's flexibility is emphasised by Mr Kallie van der Colf, a member of the chamber's gold producers' committee, who says that if wage improvements are negotiated, they will be paid to all black employees whether or not they are union members.

The NUM's negotiating flexibility is shown in its decision to give a three week period of grace in which negotiations can take place before calling a strike.

An explosion rocked the home of an Indian Minister in South Africa's white-dominated Cabinet and he said yesterday he believed it was caused by a hand-grenade, Reuter reports from Johannesburg. Police said the blast at the house of

Mr Amichand Rajbansi broke two windows but no one was injured. Mr Rajbansi, the only Cabinet representative of the Indian chamber of South Africa's racially-segregated parliament, said he had recently received threatening phone calls. The minister has been fiercely criticised by government opponents for joining a parliament which excludes the the country's black majority. Police guard his Durban house round the clock.

South Pacific may be declared nuclear free

By Our Foreign Staff

LEADERS from New Zealand, Australia and the South Pacific's 11 independent island states may declare the South Pacific a nuclear free zone today when they meet for their annual summit in Rarotonga, the capital of the Cook Islands.

Representatives of the 13 members of the South Pacific Forum will consider a draft treaty banning the possession, storage, use and testing of nuclear devices in the South Pacific. The treaty, which some officials say is likely to be passed, is expected to leave the question of port visits by nuclear-armed or nuclear-powered ships to individual governments.

The forum is also expected to consider a proposal made by Mr David Lange, the New Zealand Prime Minister, for a regional security plan which would include basic military and anti-terrorist training and a central maritime fisheries surveillance centre. Mr Lange, who made the proposal on Sunday, said it was not meant to be a replacement for the troubled Anzus defence treaty between Australia, New Zealand and the U.S.

Mr Lange said yesterday he expected the draft treaty on nuclear restrictions to "meet with the general agreement of the forum countries."

WORLD TRADE NEWS

COMPETITORS IN BID TO IMPROVE OFFERS

Kraftwerk favoured for Egypt nuclear plant

BY TONY WALKER IN CAIRO

A TECHNICAL review of bids for construction of Egypt's first nuclear power plant is ready for Government decision with a high-level committee apparently favouring Kraftwerk Union of West Germany.

But other contenders, notably Westinghouse of the U.S., are understood to be engaging in last-ditch attempts to improve their offers to build a 1,000 MW nuclear plant on Egypt'a Mediterranean coast.

Tho technical review committee, including representatives of Egypt'a Nuclear Power Plants Authority (NPPA), the central bank and Ministry of Electricity, is reported to have completed by early July its consideration of various options.

It now remains for the Government to make the difficult decision to allocate scarce resources to the project which will cost more than $1bn (£715m) at a time when Egypt is facing serious balance-of-payments problems.

Final contenders are Kraftwerk Union, Westinghouse-Mitsubishi Heavy Industries, and Framatome of France at the head of an Italo-French consortium. A crucial factor in the final choice is certain to be financing offered by the respective consortia.

All have arranged government backing for their bids. Weighing heavily in the West German company's favour has been the fact that at about $1.1bn its bid is several hundred million dollars under that put forward by Westinghouse.

Framatome has, from the start, been offering twin-reactors at a cost of about $2.5bn. This is likely to be regarded as too ambitious by the Egyptians under present stringent financial circumstances.

Framatome may, as a result, have modified its offer in recent months to a singlo unit with the option of a second later. Other bidders have included specifications for another unit in their bids.

According to a well-placed Egyptian official, the Government could be ready to sign a letter of intent with the successful tenderer as soon as this month. But judging by delays in the bidding process, predictions of an early decision seem optimistic.

A spokesman for Kraftwerk Union said the company had received no official confirmation that it has emerged as the front-runner, but he was aware of the reports.

He understood discussion was continuing between the various contenders and Egyptian Government authorities.

A Westinghouse spokesman said the company believed it was still very much in the race. It is understood that Egypt's Prime Minister, Mr Kamal Hassan Ali, discussed Westinghouse's bid on a recent visit to Washington. Exim Bank of the U.S. has extended a $300m line of credit to support the U.S. bid.

Egypt, which is labouring under electricity shortages, has an ambitious nuclear programme which envisages construction of eight reactors by the year 2005.

Tony Walker on the smooth-running construction of N. Africa's biggest power station

Bechtel engineers a powerful success story in Cairo

AMID THE recent rash of negative signals about the Egyptian economy, the success of the Shoubra El-Kheime power plant project on the fringes of Cairo is an interesting exception.

Tho plant, which will meet 70-75 per cent of the Cairo demand once its first three units are installed by early next year, is months ahead of schedule and millions of dollars under budget.

In a country where construction projects are often delayed and cost overruns are commonplace, Shoubra El-Kheima is proof that with careful planning and energetic supervision disturbing stories about bureaucratic holdups need not be the rule.

Meticulous

Mr Paul Mitchell of Bechtel Engineering, the project manager for Shoubra, attributes the project's success to meticulous attention to detail and a robust approach to sections of the Egyptian buresucracy such as the Customs, who are the despair of many foreign contractors.

Bechtel, the U.S. engineering and construction company, devoted considerable resources to ensuring that imported components were cleared through Customs as quickly as possible to reduce construction delays to tho minimum.

"It was a constant problem for us," Mr Mitchell says, "but we had a record average for clearing things. We had peoplo who lived at the airport fighting through all the paperwork."

Bechtel tried to anticipate such delays by ordering equipment early. When replacement parts were needed urgently because of breakdowns, company representatives simply "baby sat" these items through the Customs process.

The three unit (a fourth is being added to be completed by the first quarter of 1988) almost 1,000 megawatt power station is, by any standards, a large undertaking. It is the biggest power plant in North Africa and when its three units are commissioned it will account for about 20 per cent of Egypt'a installed capacity.

Feasibility

A feasibility study by the American consultants Sanderson and Porter was conducted in 1978. Bechtel was awarded tho contract in December, 1979, for the design and supervision of the plant's construction. Engineering work began in earnest in October, 1980, with an expected 68-month completion schedulo at a cost of $750m (£535.7m).

In the event, the three units are being commissioned 17 to 20 months ahead of schedulo and the project's cost will be about $115m less than was budgeted.

Components

Mr Mitchell said Bechtel had adopted a novel approach to the project. "We did a lot of things differently. We went for a components-type approach. Wo broke it up into smaller pieces instead of the larger modular approach and got the contractors on the site working early.

"We did some very detailed schedules of the project, and from these we established the major dates for the contractors to finish key activities."

He said that not everything went according to plan, but that schedules were flexible enough to allow an alternative route to be taken if there were unforeseen delays, such as the breakdown or late arrival of equipment.

Generators

The complicated financing for the project—a number of international agencies are involved —had to be taken into account in tho planning process.

The revised total cost of Shoubra's three units is $635m. International financiers are providing $516m, of which the main contributors are: the World Bank ($227m); the U.S. Agency for International Development, USAID ($201m); the EEC ($20m); and the Overseas Economic Co-operation Fund of Japan, OECF ($27m).

The fourth unit projected to cost $158m is being funded by USAID, which is contributing $55m and several other agencies including the OECF, the African Development Bank and the Canadian International Development Agency.

The list of contractors reads like a "Who's Who" of the international construction business. Westinghouse is supplying the turbine generators at a cost of $80m and the boilers are coming from Ansaldo of Italy, at $90m. Fuji and Toshiba of Japan and Daelin of South Korea arealso involved.

Mr Mitchell said that Shoubra compared with the "most efficient and modern plants in tho West." Officials of the Egyptian Electricity Authority estimate savings of 600,000 tonnes of oil a year against existing thermal units because of greater efficiency.

The power station is located about 8km from Cairo's centre on a 13.5 acre site. When operating at capacity it will use about 5,600 tonnes of oil a day or 5m cubic metres of gas from the Abu Maada field, 150 km away.

At peak construction effort, there were more than 2,000 people working on tho site, including 1,700 Egyptian nationals and 400 expatriates. According to Mr Mitchell, Egyptian workers performed well, especially in the welding area, but problems arose because of poor Egyptian management.

Significant

He was critical of Egyptian contractors in the civil works area, saying the quality of some of tho work was indifferent.

Shoubra, when completed, will make a significant contribution to Egypt's power needs, but it will not give the Egyptian Electricity Authority any real bargaining space because demand for power increases by as much as 15 per cent a year. On tho most optimistic forecast, new production capacity is becoming available at less than 10 per cent a year.

As Mr Mitchell said: "What has been done here (at Shoubra El-Kheima) will be swallowed up very fast."

FRENCH and East German companies have linked up in a FFr 700m (£58m) deal to extend an Egyptian soda ash plant at El Mex near Alexandria, David Marsh reports.

The agreement between the French engineering group Krebs and CAEI of East Germany, will enable the plant to be expanded to a capacity of 200,000 tonnes a year. This will make Egypt self-sufficient in soda ash.

The accord has been concluded just over a month after a visit by M Laurent Fabius, the Prime Minister, to East Berlin, aimed at increasing trade ties between France and East Germany.

Tho contract, awarded by MISR Chemicals Industry, will put Krebs as consortium leader in charge of basic and detailed engineering, equipment supply, plant start-up and personnel training.

Indonesian contracts from China top $325m

By Kieran Cooke in Jakarta

MEMBERS of Indonesia's first official trade mission to China in nearly 20 years have returned to Jakarta, pronouncing themselves well satisfied with sales contracts worth more than $325m (£232m).

According to mission members, China has agreed to buy Indonesian plywood, rubber, steel, cement, textiles and other items.

In return, Indonesia will purchase 50,000 tons of Chinese cotton, at an unspecified price. At present, almost all Indonesia's cotton requirement for its expanding textile industry is imported from the U.S.

China and Indonesia—respectively the world's first and fifth most populous nations—have had little direct contact since Jakarta froze both diplomatic and trading links with Peking in 1967, accusing it of being behind a Communist coup attempt.

However, indirect trade has continued, mainly through middlemen in Singapore and Hong Kong.

Statistics on indirect trade vary widely. Indonesia says it exported only $27m-worth of goods to China last year while importing more than $200m.

However, a large proportion of Indonesian exports to China are thought to have been disguised for political reasons: Chinese statistics put total trade between the two countries at $242m last year, with Indonesia enjoying a surplus of $128m.

Indonesia has recently become concerned about the growing trading challenge China poses in some of its key markets.

It is particularly worried about increasing sales of Chinese crude oil to Japan, which at present accounts for 70 per cent of Indonesia's vital oil exports.

The first official trade mission from China since 1967 is due to visit Jakarta for talks this weekend.

● What is being billed as Indonesia's biggest ever trade fair has opened in Jakarta with much of the city centre closed off to accommodate more than 900 stands.

The fair will run throughout the month and forms part of celebrations marking 40 years of Indonesia's independence.

U.S. exporters may pitch in as Japan's bats fall to bits

BY CARLA RAPOPORT IN TOKYO

JAPAN'S high-school baseball season, a subject second only to motherhood in terms of the passion it ignites within the Japanese, has been hit hy an unsightly scandal.

Jepan's etate-of-the-art, fifth-generation eluminium haseball bats have been hreaking. As a result, aspiring young basehall heroes have found themselves holding only bits of bat after hitting a particularly fine pitch out of the park.

The situation became so bad in recent weeks that tho Japan High School Baseball League decided to ban nearly 12,000 aluminium bats made by Mizuno, Japan's leading sports equipment manufacturer.

Mizuno, for its part, recalled three new bat hrands and launched an internal investigation into the problem.

As Mr Yasuhiro Nakasone, Japan's Prime Minister, has again gone on television this week urging the Japanese to buy foreign products, the crisis in baseball bats should no douht prompt a spurt in orders for U.S. bats. After all, America invented the game as well as the lighter, supposedly more durablo aluminium bat.

In fact, the road was cleared in November 1983 after nearly two years of wrangling, for tho importation of U.S. bats into Japan. At that time, the Japanese conceded that not every bat needed to be individually inspected, saying that self-inspection by manufacturers would suffice.

So far, the Americans have not dono so well. According to no less an authority than the Ministry for International Trado and Industry (Miti), not a singlo U.S. aluminium bat has been bought by a professional or high-school baseball player.

"Wo imported 1,200 bats at the end of 1983," said Mr Koji Kasahara, executive director of ITS, a Tokyo-based trading company which specialises in foreign sports equipment. "We sold 300."

Will the recent ban by the Baseball League give e boost to U.S. imports? "I'm not optimistic," Mr Kasahara added.

"There are 3,000 high schools in Japan, and 50,000 kids playing baseball. Mizuno has nearly 50 per cent of that market. Their wholesalers send people to the games, travel with the teams, they cover Japan. Wo have an office in Tokyo and one in Osaka, we can't hope to compete."

ITS represents the higgest names in U.S. baseball, Easton and Worth Sport, in Jepan. In faet, it was Easton aluminium bats which first introduced metal bats to Japanese high-school playing fields in 1974. By 1976, the fiold had been taken over by quick-moving domestic manufacturers.

Mizuno executives yesterday had no clear answer as to why their newest bats were a flop.

They did say, bowever, that their bats, which have a rounder, bigger barrel, had contributed to a smart increase in the number of home runs hit by Japanese teenagers over the lest three years. Nonetheless, if they continue to break, Mizuno will continne to lose.

"U.S. alloys ere stronger," Mr Kasahara declared. "But I think they need a different approach to the market. I think they need to set up offices here."

But by the time that happens, Mizuno will have its sixth-generation bat on the market.

Lisbon-Bonn frigate deal

BY OUR LISBON CORRESPONDENT

PORTUGAL and West Germany have agreed in principle on 90 per cent of the finance for a DM 2bn (£513m) programme to build three Meko 200 frigates in Hamburg as part of a long-sought modernisation of the Portuguese navy.

Sr Jaime Gama, tho Portuguese Foreign Minister, met Herr Hans-Dietrich Genscher, the West German Foreign Minister, in Helsinki last week to hand him Portugal's proposals for financing the outstanding DM 200m.

The frigates are to be huilt at the Blohm and Voss shipyard in Hamburg. Sr Rui Machete, Portugal's Defence Minister, said that converting Portuguese shipyards, geared mainly to tanker construction, would not be protable.

AMERICAN NEWS

Castro confirms Vesco is living in Havana

By Nancy Dunne

PRESIDENT Fidel Castro of Cuba has confirmed press reports that Mr Robert Vesco, the fugitive U.S. financier, is living in Havana where he is receiving medical treatment.

Mr Vesco, who fled tho U.S. in late 1971, apparently to avoid a Securities and Exchango Commission investigation, was claimed by NBC, which secretly filmed him, to be nearly broke and to have fallen out of favour with tho Castro regime which had him virtually under house arrest.

President Castro, however, denied the financier was under house arrest, and accused the U.S. news organisations of trying to divert ettention from his five-day conference on the Latin American dobt crisis.

In 1976 Mr Vesco was indicted by a New York federal Grand Jury on charges of taking more than $100m (£72m) in mntual funds from a European company in liquidation.

Call to abolish Brazil's corrupt state companies

BY ANN CHARTERS IN SAO PAULO

Sr Roberto Gusmão, Brazil's Minister of Commerce and Industry, has taken the unprecedented step of recommending that three state companies within his ministry be eliminated. They are the Brazilian Coffee Instituto, the Sugar and Alcohol Institute and Embratur, which promotes tourism in Brazil.

Audits commissioned by the minister and conducted over the last six weeks by private accounting firms revealed widespread ineptitudo, political favouritism, nepotism, enormous irregularities and corruption in all three entities.

According to a ministry official, Sr Gusmão has informally discussed his intentions with President Jose Sarney and is expected to submit a formal proposal to the president next Monday on how tho companies are to be gradually disactivated.

Sr Gusmão said: "These public entities are corroded by bureaucracy and inefficiency and are contaminated with a high degree of corruption."

A Brazilian Coffee Institute audit of warehouse records in Londrina, parana, in the heart of Brazil'a coffee producing area, discovered that nearly 17,000 sacks of coffee worth Cru 5.4bn (nearly U.S.$900,000) disappeared last March. Coffee stored in the IBC'a warehouses was also found to be an inferior and less expensive type than purchase records indicated.

Sr Karlos Rischbeiter, IBC president, agrees that the State entity has lost its reason to exist. "With only 200 employees we could carry out all the necessary functions," be told Veja, the weekly Brazilian news magazine.

Instead, the institute has more than 4,500 employees, who together with inactivo workers and pensioners cost the government Cru 9.6bn a month.

In the case of the Sugar and Alcohol Institute, the audil revealed that as of the end of last year, the institute had debts totalling Cru 614.1bn (about $194m) from loans made to sugar co-operatives and alcohol refineries with the guarantee of tho institote and never repaid.

Tho Institute'a department responsible for making payments on the debts could not explain why its total is less hy some Cru 157bn.

Accounting confusion also surfaced in Embratur according to an audit by another privale accounting firm. The stale company was shown to have irregular participation in the ownership of several hotel management companies and convention centres.

Reagan popularity at new high

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan's popularity has soared to an all-time high, thanks largely to a continuing mood of national self-confidence and a wave of sympathy following his cancer operation three weeks ago, a Time Magazine poll showed yesterday.

However, despite the high personal esteem and affection felt for him by most Americans, three out of four of those polled donbted that he could aolve the nation'a prohlems. The survey showed that about 75 per cent had little or no confidence in his ability to reduce the budget deficit, negotiate an arms control agreement with the Soviet Union or implement his plans for tax reform.

The results appeared to suggest that Mr Reagan risks lapsing into a status not unlike that of former President Dwight D. Eisenhower in his second term in the late 1950s, much loved by the nation as a father figure hut widely regarded as ineffectual.

The budget deficit had replaced the fear of nuclear war as the biggest worry for Americans, the survey said. About 55 per cent of the 1,013 registered voters polled said that the deficit concerned them "a lot" and 51 per cent worrlod about the economy in general.

Nevertheless, in a barometer of the national mood, 69 per cent thought that things were going "very well" or "fairly well" in the U.S. The figure was down from the 74 per cent who felt that way in the aftermath of last summer's Los Angeles olympics.

Asked to rate the President's performance on a scale of one to ten, more than two-thirds, about 67 per cent, gavo him five or higher. That was a six percentage point up from May, and 17 higher than Mr Reagan's lowest rating in the summer of 1982. His popularity peaked during the waek he returned to work from his operation in late July.

Contra attack on regional capital fails

BY TIM COONE IN MANAGUA

IN THE heaviest fighting in Nicaragua for more than a month U.S.-backed guerrilla forces have suffered heavy casualties and are again in retreat after what appears to have been a plan to isolate and take tha important regional capitsl of Esteli.

Comander Manuel Salvatierra, the regional military chief, said about 1,500 Contras were involved in the operation. It began on Thursday and the International route, the Panamerican Highway, was cut, and the small town of La Trinidad, to the south of Esteli, was partially overrun by the guerrillas who are seeking to overthrow the Left-wing Government.

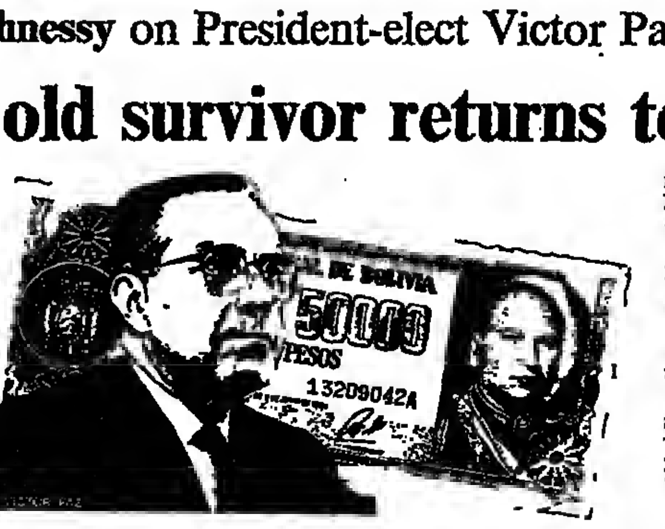
In 42 skirmishes since then 129 guerrillas were killed and 41 captured, Commander Salvatierra said. Government losses were not given bul as tha army has relied heavily on tha use of helicopter gunships its losses can be expected to be considerahly lower.

At the weekend Esteli, which has e population of 60,000, was still in a state of high tension.

Hugh O'Shaughnessy on President-elect Victor Paz Estenssoro

Bolivia's old survivor returns to power

THE 77-year-old Bolivian radical-turned-conservative and Grand Old Man of tho country's politics, Sr Victor Paz Estenssoro, was elected to his fourth term as President early yesterday morning. With any luck—and Bolivian politicians need a lot of it—he will be sworn in today.



In a photo-finish to last month's elections, Sr Paz beat his erstwhile political ally, General Hugo Banzer, another former President, by 94 votes to 51 at the second ballot in the Bolivian Congress.

As no candidate had received the mandatory overall majority of popular voles cast, it was up to the newly-installed Congress to decide among the three Presidential candidates with the most popular votes.

The supporters of Gen Banzer, who led a business-orienled dictatorship from 1971 to 1978, have been in the streets loudly but unjustifiably claiming fraud on the basis that he had polled 28.57 per cenl of the voles cast last month against Sr Paz' 26.42 per cent.

Advertisements have gone into tha newspapers proclaiming that Gen Banzer's ADN (Nationalist Democratic Alliance) will form a government today "whatever happens."

Sr Paz and hie MNR (Revolutionary Nationalist Front) have beo helped back inlo governmenl because his opponents on the Bolivian left, who hold the balance of power in Congress, delest him marginally less than they detest Gen Banzer.

The situation was well summed np in the remark of a former left-wing information minister, Sr Mario Rueda: "Although nothing unites us with the MNR, everything separates us from the ADN."

Bolivian politics have revolved around Sr Paz for as long as most people can remember. In the 1930'a he was a member of that often-influential strain of Latin American political thought which argued thal frieodship with Nazi Germany was preferable to "U.S. imperialism."

Bul when he came to power in 1952 on a wave of mass protest against military interference in the previoua year'a elections, Sr Paz put into effect the most wide-ranging social revolution bis turbulent country had ever oxperienced.

Sr Paz nationalised tin mines, tbo source of Bolivia's principal export earnings, distributed land lo the peasants and introduced universal suffrage. As last month'e elecllon figures proved, tho peasants heve never forgotten the fevours he did thom 33 years ago.

In his second period of office from 1960 to 1964, he collaborated closely with Washington. He won a third mandate in June 1964, but was in office only five months before he waa toppled by a military coup. Sr Paz has never faltered in his determination to return to powor.

The prospect of governing Bolivia now would make any less-ambitious man hlench. The state is bankrupt and with no immediate prospect of credit from any source; inflation has been forecast at an annualised rate of 34,000 per cent this year; the cocaine barons are making more money out of illegal exports of narcotics than anyone does from legal exports and their bold on Bolivia'a political and economic life is hecoming increasingly throttling; and the tin mines, Bolvia'a traditional aource of wealth, are exhausted.

The Chileans are even threatening to cut off rail links with the outside world because their traffic dues have not been paid. Tho country is well on tha way to anarchy.

"This presidency will presenl prohlems of extreme difficulty," Sr Paz told Reuters yesterday.

His recipe for recovery is an orthodox one. He intends to cut the budget deficit at no matter what cost, relax controls on prices, and devalue the ludicrously overvalned currency. He wants to seek a deal firstly with the International Monotary Fund and thereafter with the foreign commercial banks to whom Bolivia owes nearly $5bn of debt which it has not serviced for more than a year.

He is also committed to promoting agriculture in a country which is more than four times tho size of tho UK, which has a population of only around 5m, hut which is unable to grow its own food.

Many of Sr Paz's policies are anathema to the left, whose votes gave him the presidency yesterday; but they are similar to those of Gen Banzer.

Will Sr Paz bave the ability to attract new right-wing support to counterbalance the lefl-wing support which hrougbl him into power and which he will surely lose if ha pursues orthodox policiea? If he does, will be be able to survive the antomatic left-wing and union backlash?

Will the army, which has staged a coup every 10 months on average since Bolivia achieved its independence 150 years ago, allow the time to govern? Will he be ahle to dominate the *narcos*, the narcotics mafia who, it is strongly rumoured, gave money to support both MNR and ADN? Will Sr Paz be ahle to achieve enough of his objectives to persuade the IMF and foreign bankers to lend him more money?

Such are the questions being posed in La Paz today. The apparently-indestructible Victor Paz, perhaps alone of Bolivians, has no doubt abont the answers. At the age of 77 he is totally confident of his own powers.

"I come from a family known for its longevity. My mother and grandmother both lived till they were 99." The new Bolivian President-elect is nothing if not a survivor.

Fannie Mae toughens mortgage credit standards

BY WILLIAM HALL IN NEW YORK

THE Federal National Mortgage Association (Fannie Mae), the biggest supplier of bousing finance in the U.S., has aonounced much tougher credit standards to stem mounting losses on mortgages sold to the federally sponsored, hnt privately owned, agency.

Fanina Mae, which buys mortgages from the U.S.'s 3,500 local savings institutions, has been facing a rapidly rising number of loan delinquencies by borrowers unable to meet loan commitments. In March 1984 it had foreclosed on 3,000 properties but hy the end of June 1985 the number bad risen to 7,800.

Tho agency says it found that loans with downpayments of 10 to 19 per cent carried three times the risk of foreclosure than loans with 20 per cent or higher downpayments. Loans with 10 per cent downpayments are five times riskier.

Last year, Fannie Mae, which has more than $90bn (£66bn) of mortgages on its books, wrole off $87.3m. In the first six months of this year it wrote off another $47m and says that write offs will rise this year.

As part of a move to improve its financial position the agency bas increased its loan loss allowances from ten basis points on its conventional mortgage portfolio to 15 basis points.

The most important change is a raising of the income level needed to hack mortgage loans.

In future if a savings bank is to sell a loan to Fannie Mae it must show that tha ultimate borrower'a monthly housing expenses are not more than 25 per cent of gross monthly income and bousing expenses plus instalment debt cennot exceed 33 per cent. Before the change the two ratios were 28 per cent and 36 per cent.

هكذا من الأصل

Additional Boeings for British Airways

BRITISH AIRWAYS is to lease three additional Rolls-Royce powered Boeing 757 twin-jet airliners at a capital cost of about $135m, Lynton McLain writes.

The aircraft will bring the state-owned airline's fleet of 17 Boeing 757 airliners to 23 when three earlier orders are delivered later this year. The airline also operates an additional aircraft on a long-term lease from Air Europe.

The extra aircraft have been ordered to increase capacity on European routes, especially between London and Germany and Italy and on UK shuttle services. They are due for delivery in March next year, with lease arrangements provided by Chemical Bank.

Last week, the airline ordered £100m of kits from Rolls-Royce, the state-owned aero-engine company, to upgrade the Rolls-Royce RB211 engines on its 12 Boeing 747s to RB211-D4 standards.

The recent acquisitions have come despite comments from Mr Colin Marshall, the chief executive of BA who said last month that the Government had clearly indicated that it did not want BA to place orders for substantial new equipment before it was privatised.

● International Aero Engines, the five-nation consortium that includes Rolls-Royce, has received confirmation that Cyprus Airways is to go ahead with an order for 11 V2500 engines to power the airline's order for Airbus A320 airliners.

The order brings to 86 the total number of firm engine orders for the A320 including spare engines won by the consortium since it was formed in January last year. These orders are worth about $360m. The consortium also has options for the 152 engines.

The consortium comprises Rolls-Royce, Pratt & Whitney, Japanese Aero-engines, MTU of West Germany and Fiat Aviazione of Italy.

□ TULLIS RUSSELL, the Fife, Scotland-based private papermaking group, is cutting 150 jobs at its Glenrothes mill as a result of a rationalisation programme.

Mr Roderick McGregor, managing director, said no closures were involved, but the uncertain outlook for U.K. papermakers meant that the group, which employs 1,100 people, had to improve its productivity. He hoped most of the losses would be met through early retirements and voluntary redundancies.

Tullis Russell makes a wide range of industrial and graphic arts papers and, following a £12m investment three years ago, a line of coated papers.

□ PAY offer worth an estimated 5.6 per cent was accepted yesterday by delegates representing most of the 36,000 white-collar staff in the water industry.

A delegate conference of the National and Local Government Officers' Association, which claims 30,000 members in the sector, agreed with the recommendation of the union's national water committee that the offer could not be improved.

□ MEMBERS of Noraid, the U.S. organisation which raises funds for the IRA, toured areas south of Belfast in Northern Ireland yesterday under the close supervision of police.

Mr Martin Galvin, the group's publicity director, is subject of an exclusion order and did not join the party.

Retail spending volume jumps 1.2% in month

BY PHILIP STEPHENS

THE OVERALL level of new credit extended by retailers and finance houses fell back in June for the second consecutive month, but the volume of spending in shops and stores nevertheless soared to record levels.

The Department of Trade and Industry said that new credit business totalled £979m in June, down from £1.04bn the previous month.

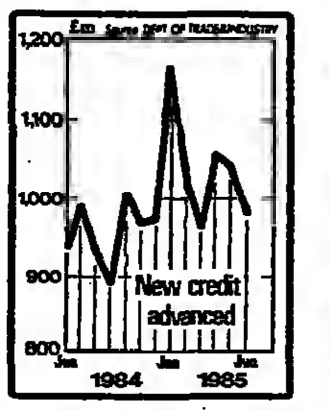
Over the three months to June, lending by finance houses, retailers and other specialist organisations fell by 2 per cent compared with the first quarter of the year.

The second quarter fall reflected lower lending by the finance houses and other specialist lenders, which was down 4 per cent between the two periods. Company borrowing from these sources was particularly depressed.

Credit extended by retailers actually rose by 2 per cent, probably assisted by the success of a credit card scheme launched by Marks & Spencer.

In separate figures the trade department confirmed that the volume of retail sales reached a record level in June, rising by 1.2 per cent compared with May.

The implication of the two sets of figures is that the present high level of interest rates has as yet had little impact on the pace of consumer spending.



As well as borrowing directly from retailers, consumers have been financing their purchases from both increases in real earnings – average wages of those in work have been rising much faster than inflation – and from bank borrowing.

The credit figures released yesterday do not include borrowing through bank credit cards such as Access and Barclaycard nor direct personal loans from the banks.

There are signs, however, that the present high level of interest rates is beginning to feed through into spending.

The recent decision by some building societies to cut the mortgage rate for new borrowers ahead of the general reduction in rates expected in September reflected a significant fall in demand for house purchase funds.

In recent years the trigger for mortgage rate reductions has tended to be higher inflows into the societies from savers rather than a fall-off in loan applications.

The Treasury regards the drop in mortgage demand as a significant indicator of the present tightness of monetary conditions, and it played a part in the Government decision to encourage last week's cut in banks' base lending rates.

City of London economists will be closely analysing today's figures for the growth in the money supply last month to see whether there has been any parallel drop in demand for bank credit.

● The Finance Houses Association said yesterday that new lending by its 42 members fell to £2.73bn in the three months to June from £3.01bn in the first quarter, but it remained well above the £2.38bn recorded in the second quarter of 1984.

● Lloyds Bank, which owns the largest residential estate agency in the UK through its wholly-owned Black Horse Agencies, is to offer guaranteed mortgages to clients who appoint Black Horse as sole selling agent for their properties and also to buyers of the house.

U.S. dealers line up for Austin Rover

BY JOHN GRIFFITHS

ABOUT 450 dealers have applied for the initial network of 100 outlets that Austin Rover plans to have in place for the U.S. launch of its 'XX' executive car in January 1987.

About 80 who completed questionnaires after a "convention" for potential dealers in Chicago two months ago have predicted that between them they could sell 23,000 a year and an additional 4,725 if Austin Rover were to add a two-door coupé version of the saloon which the UK company has developed jointly with Honda.

An initial sales target of 20,000 has been set by Austin Rover Cars of North America, a new company, based in Miami. It was set up by Austin Rover in partnership with Mr Norman Braman, whose car retailing group sold over 15,000 cars through a variety of franchises last year.

The 80 would-be XX dealers, all with existing franchises ranging across the spectrum from Cadillac, through volume-built U.S. and Japanese cars to luxury European makes, build up a fascinating picture both of the car – which has cost over £100m to develop – and its perceived prospects.

A recurrent theme throughout their written critiques appears fully to justify the strategy of Sir Michael Edwardes, the former BL chairman, to forge a close collaboration with Honda.

A very large majority of those surveyed predict that the XX will be a success as a result of what they see as Honda's engineering reliability allied to the car's British design and styling. Their responses make clear that the XX will have a "traditional" Jaguar-style leather and walnut interior. The XX for the U.S. market will be fitted with a new 2.5 litre Honda V6 drive-train powering its front wheels.

The dealers, to whom the cars were presented among exceptionally tight security in Chicago unanimously praise the high specification of the car, which will offer equipment like anti-skid braking and heated, power-adjustable seats with a computer memorising favoured positions.

A high proportion of the responses gave maximum marks to the four-door "notchback" saloon, when asked to rate it and a five-door "hatchback" version on a 1-10 scale. However, highlighting differences between Europe and North American buyers' preferences, some dealers awarded the hatchback scores of between 1 and 5 and stated that there was little demand for this type of vehicle among U.S. luxury car buyers.

Their replies have confirmed Austin Rover in its belief that it should concentrate on the saloon. However, it still feels that enough of the hatchback responses were sufficiently positive for the XX perhaps to change a perception among U.S. executive car buyers that hatchbacks are down-market.

Kinnock joins attack on BBC ban

By Peter Riddell, Political Editor

MRS MARGARET Thatcher, the Prime Minister, was last night urged to make clear her commitment to the BBC's editorial independence by Mr Neil Kinnock, the Labour Party leader, in view of the row over the television programme on terrorism in Northern Ireland which the BBC has decided to withhold from screening.

Mr Kinnock made this demand in a strongly-worded letter to Mrs Thatcher, his first public comment on the row which concerns an interview with an alleged leader of the IRA.

He attacked the behaviour of both Mr Leon Brittan, the Home Secretary, and the BBC's Board of Governors, arguing that they had failed in their duty and that "the independence of the BBC has been severely compromised as a result."

Mr Kinnock called on Mrs Thatcher "to take immediate steps to undo, as far as possible, the damage which has been done by the Home Secretary's unfortunate action and to make clear your own commitment to the BBC's editorial independence. In particular, it is obvious that an urgent review is required of the practice which the Home Secretary and his department follow in relation to the BBC."

Mr Thatcher is expected to reply within the next day or two and certainly before she leaves for a holiday next Monday.

Mr Kinnock argued that the events of the past week had had a most damaging effect on the standing of the BBC not only in this country but also internationally.

The Labour leader said his action not only instigated an act of political censorship but he sought to evade the obligation of democratic political accountability

UK NEWS

High tech pay levels weather the storm

By Brian Groom, Labour Staff

IN SPITE of its present difficulties, Britain's high technology industry appears not to be planning the kind of instant pay cuts which have taken place in the U.S., according to Incomes Data Services (IDS), the pay research company.

"Semi-conductor businesses in the UK are reducing staff (eg at Inmos and National Semi-Conductors) and adopting pay pauses or delaying increases, but there is little evidence yet of the riches-to-rags transformation of pay expectations apparent in the same industry in America," the company's Top Pay Unit says in its latest review.

An immediate impact on pay has been felt in the U.S. Some employers such as Hewlett Packard and Advanced Micro Devices have cut pay levels, while others like Texas Instruments have reduced the rate of annual rises to between 4 and 6 per cent.

According to the magazine Business Week, U.S. employment levels in the industry have fallen by 27 per cent this year and average pay by 11 per cent. IDS says this is likely to lead to less "pirating" of engineers and programmers from competitors.

Incomes Data says the strategy of the UK industry "seems to involve constraining pay rises for the majority of staff but with additional rewards for key technical specialists engaged in design and development work."

A year ago semi-conductor companies were complaining that shortages of specialist staff were inhibiting investment strategies. Now, says IDS, they are trying to weather the sudden storm of recession and retain key staff to take advantage of a projected upturn, said to be on the cards for early 1986.

The company gives little data on current pay rises, but says they are typically lower than a 9 per cent budget (with extra money for key skills groups) reported for Texas Instruments (UK) earlier this year.

IDS Top Pay Review 54, Aug '85; 140 Gt Portland St, London W1N 5TA; available on subscription.

BL's output of heavy vehicles rises sharply

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL'S investment in new products paid dividends in the first half of 1985 when the state-owned group's output of commercial vehicles recovered substantially from the depressed levels in the same months last year.

The revival was led by Austin Rover whose van output jumped by 52 per cent, or 4,732 vehicles, in the January-June period this year when the company had introduced the new Maestro van. In the first half of 1984 van production suffered because potential customers were well aware that the old Ital van was being phased out to make way for the new Maestro vehicle.

New products – the One Ninety and One Ten – also boosted Land Rover sales: by 20.5 per cent or 2,690 vehicles in the first half.

The addition of wide-bodied versions of the Sherpa van to Freight Rover's range helped improve output by 1,573 vehicles or 17.7 per cent.

The new Roadrunner, Leyland Trucks' new competitor in the volume part of the heavy vehicle market, is beginning to make its presence felt. Leyland's output advanced by more than 37 per cent, and by 2,234 trucks.

These factors enabled BL to record a 30.27 per cent, or 11,229 vehicles, improvement in its commercial vehicle production in the first half compared with the same months last year.

UK COMMERCIAL VEHICLE PRODUCTION (first half)

	1984	1985
BL	37,093	48,322
Austin Rover	9,084	13,816
Land Rover	13,142	15,832
Freight Rover	8,882	10,455
Leyl. Vehicles	5,985	8,219
Ford	57,392	59,944
GM-Bedford	29,141	30,884
ERF	850	1,061
Foden	413	254
Renault Truck Ind.	2,117	2,771
Seddon Atkinson	918	903
Others	976	813
Total	128,900	144,952

Source: SMMT Monthly Statistical Review

Ford retained its leadership of commercial vehicle output in the first six months with a 4.45 per cent or 2,552 vehicles, rise.

This was below the growth in total commercial vehicle production in the first half which was 12.45 per cent or 16,052 vehicles.

However, it is well-known that Ford is shortly to replace the Transit. Reorganisation of the Southampton plant, where Britain's best-selling van is produced, is likely to hold back output this year.

In spite of adding a new van to its UK-built range, the Midi, and having the new Astra van available, General Motors-Bedford did not see a large improvement in commercial vehicle output. Its first-half total was up by 6 per cent or 1,743 vehicles.

Slow recovery from a very low level by Renault Truck Industries, the Renault-Dodge company, continued in the period and its production moved up by 31 per cent or 654 vehicles.

The statistics, to be published in the Society of Motor Manufacturers and Traders' Monthly Statistical Review, show that only Seddon Atkinson and Foden produced fewer trucks in the first half of 1985 than in the same months last year.

● Volvo's truck and bus factory in Irvine, Scotland, will celebrate its tenth anniversary this year by having its status within the Swedish group raised from that of a knocked-down kit assembly facility to a main plant, ranking with those owned by the company in Sweden, Belgium, Brazil and Australia.

The Scottish plant employs 109 and has built more than 10,000 trucks and over 1,000 buses since it was set up in 1974 when Volvo spent £35m ($48.3m) to establish a UK headquarters and production facility.

In the 10 years, Irvine has exported 1,158 trucks – mainly garbage vehicles for Sweden and special, narrow, high-powered trucks for Switzerland – and 310 buses worth a total of about £37m.

Groups join to rescue Berlei

BY WALTER ELLIS

BERLEI, the loss-making underwear and hosiery company, has been rescued from possible collapse by a financial "combined operation" mounted by four local authorities in Wales and the Welsh Development Agency (WDA).

The deal, which should secure the jobs of 444 Berlei workers in four factories, was announced yesterday by Mr David Pinkney, company chairman.

Mr Pinkney said that part of the rescue package consisted of guarantees, totalling £300,000, from the local authorities of Mid-Glamorgan, Merthyr, Gwent and Blaenau Gwent. Further help was being provided by the Welsh Development Agency, which is to buy Berlei's two Welsh factories, at Merthyr and Ebbw Vale, and lease them back to the company.

Berlei has been manufacturing in Wales since 1949 and employs 156 workers at Merthyr and 150 at Ebbw Vale. The rest of the workforce is divided between factories in Rogerstone, near Newport, and Slough.

The key to Berlei's re-launch is an agreement linking City of London finance to local government guarantees. Mr Pinkney is managing director of the Wrightson Wood financial services group and was voted in as Berlei's chairman in June with a brief to organise a rescue.

"The nub of the problem," he said "was that we needed £2.1m on top of the £2.7m which the three main (existing) investors put into the company." Berlei had been able to put its final package together thanks to the action of local authorities and the WDA, but extra equity finance had also been provided by other investors, including Barclays Bank and the Commercial Bank of Wales.

A new marketing drive from Berlei can now be expected.

Merrill all set for City's Big Bang

BY DAVID LASCELLES, BANKING CORRESPONDENT

CONTEMPLATING the City of London revolution, Mr Bill Schreyer predicts: "The strong will survive." Which is probably not surprising since the 57-year-old Mr Schreyer is chairman of Merrill Lynch, the largest stockbroking firm in the U.S.

Merrill will be on the starting line at Big Bang, the yet to be set date next year when fixed commissions are ended, and the UK securities business is opened up to all comers. Merrill intends to participate in the equity markets and become one of the 29 primary dealers approved by the Bank of England for the market in government stocks (gilts).

Merrill views the prospect with some relish, having been one of the big survivors of May Day, the moment just over 10 years ago when fixed commissions were ended on Wall Street. Mr Schreyer thinks the changes in London are, in their way, bigger than those in New York because they involve changes in the structure of the markets as well as the end of price regulation. But the U.S. experience showed that strength was key.

Speaking at the end of a stay in London yesterday, he explained why Merrill has decided to go into Big Bang without buying a large stock exchange firm like most of its competitors.

"I think we are well-positioned in terms of capital, people and talent." Merrill has hired Mr Stanislas Yassukovitch, one of the founding fathers of the Euromarkets, to head its London business. It has also acquired the services of Mr John Hutchinson, a well-known gilt-edged dealer formerly with Wedd Durlacher. To boost its expertise in the government securities market, it recently bought a small gilt jobber, A. B. Giles & Cresswell.

But does Merrill have enough contacts among the UK investing community to drum up business and distribute the securities in which it deals? Mr Schreyer does not think that will be a problem. He sees Merrill breaking into the existing relationships between stock exchange firms and their clients. "The old school tie connections will go out of the window."

Not that Merrill intends to live up to its thundering herd image by barging into the London market. The talk is all of a cautious, low-key approach. And Merrill will be willing to bear some losses in the early stages when competition is expected to be intense. "I doubt if we will make money on the first day out of the box," he said. Merrill sees its London operation providing the link in its planned globe-girdling securities business.

The group's failure to win a bid for a seat on the Tokyo stock exchange – which would have made it the first foreign member – was a disappointment. Mr Schreyer, who recently visited Japan believes that negotiations between the U.S. and Japanese authorities will lead to an opening up of the exchange to foreigners before long, however.

He says he was given an indication by the Japanese that proposals on membership at an acceptable price will soon be made to foreign hopefuls. The Japanese Ministry of Finance was "very sympathetic to Merrill," he said, adding that he would be "very shocked" if nothing came of his talks.

Europe 'top for tourists'

BY ARTHUR SANDLES

EUROPE IS the world's favourite holiday destination, and the UK is the top spot in Europe for U.S. tourists. The latest figures from the 23-member European Travel Commission indicate that 57 per cent of international tourist arrivals worldwide were to Europe.

U.S. visitors to Europe reached an all time high of 5.7m in 1984. Britain's own figures suggest more than half of these spent some time at least in the UK. U.S. tourism to Europe was worth an estimated $4.5bn in 1984 and in the present year, when more than 6m U.S. visitors are expected, the total is predicted to rise to more than $5bn.

Traffic to Europe from Japan rose by 11 per cent in 1984 and a further increase of 9 per cent is predicted this year.

THE ARTS

Galleries/Patricia Morison

Scottish tribute

"The Letter of Introduction" by David Wilkie.

Tribute to Wilkie, the National Gallery of Scotland's summer exhibition (until October 3) should stir the hearts of Scots with a thrill of pride. It marks the bicentenary of Sir David Wilkie's hirth with a rousing exhortation to reinstate Wilkie not only as one of the greatest Scottisb artists hut as the chief founding father of Victorian painting.

In his lifetime, many Victorians regarded Wilkie as at least the equal of Turner and Constable. Tha son of a minister in a poor village in Fife, Wilkie inevitably went to London to woo the public with his scenes of the Lowlands, heavily influenced by Dutch painting. Nicely chosen qnotations evoke the rustic Scot's speedy progress np the social ladder. After a soirée at Lord Mulgrave's it was remarked that "by the time dinner was over he was as well bred as any man in England." Soon princes competed for his canvases and a crush-barrier protected his *Chelsea Pensioners reading the Gazette of the Bottle of Waterloo* at the Royal Academy. Even 40 years after his death the Glasgow Weekly Herald still issued dreadful prints of his works.

The number of Wilkie's own paintings on show is restricted in favour of setting them aloogside the many artists whom be influenced in subject matter treatment and technique. An ominous legacy was his enthusiasm for the use of "gorgeous" asphaltum with lts thick dark texture. It seems that the London art world then was as fiercely competitive as in New York today, so that even Turner was driven to try direct competition with his own genre and narrative scenes. Lindsay Errington'a advocacy of Wilkie is admirable hut not always convincing; for example, I cannot see that Benjamin Haydon'a etodgy scene of two toffs reading *The Times* really harks back 30 years to Wilkie's animated *Village Politicians.*

Putting Wilkie beside Frith's *The Railroy Stotion* and Martincau's *Last Day in the Old Home,* both firm favourites in the restored Pantheon of Victorian peinters, certainly brings out the freshness and vivacity of eerly Wilkie. Moreover, interest in narrative painting is definitely staging a return so that even the Impressionlsts are now interpreted hy some art historians for the stories at which they hint. Wilkie'a early work must surely be his claim for our affection. The *Penny Wedding* of 1819 has wonderful verve, whereas later history and travel scenes become cumbersome, even bombastic. *The Irish Whiskey Still* of 1840 is e grotesque piece which makes the Distillers Company'e sponsorship particularly meritorions.

A good few celebratory drams must have been drunk at the news of a "lost" Wilkie coming to light as a result of the advance publicity for the exhibition. *The Pedlar* of 1818, thought to have been burnt, has been lent to the National Gallery of Scotland for the exhibution. It showa the hallmark of nicely contrasted psychological states, as the women inspect and haggle over cloth while tha husband seems to reach anxiously for his wallet. Another Wilkie characteristic which will appeal to many visitors is his skill as a dog artist which makes him in this respect comparable with Landseer. He showed as much interest in getting into the mind of his canine sitters as into their owners'.

Wilkie's drawings deserve to be lingered over for their energy and economy, but if yon cannot go to Edinburgh this summer, you can find at the Ashmolean Museum in Oxford an exhibition of the most distinguished collection of Wilkie drawings anywbere. Bought for a song when Wilkie's reputation really was non-existent, the drawings cover every phase of his career. The exhibition runs till August 25 at Oxford, after which it will be at Morton Morris and Co, 32, Bury Street, London SW1.

'Larkrise' at Leicester

Keith Dewhurst's new adaptation of Flora Thomsoo's trilogy *Larkrise to Candelford* will be performed at The Leicester Haymarket Theatre from August 12 to September 14 and thereafter at the Almedia Theatre in London.

Larkrise was first performed ln 1978 at the Cottesloe Theatre in a promesade production directed by Bill Bryden.

Mills, Ashcroft to co-star in film

Sir John Mills and Dame Peggy Ashcroft are to star in a film adaptation of Raymond Briggs' novel *When the Wind Blows,* following its success as both staga and radio play.

Danae and English Cat/Santa Fe

Max Loppert

Lisa Turetsky (left) and Inga Nielsen in "The English Cat"

Ashley Putnan as Danae and Dennis Bailey as Midas

The Santa Fe Opera Festival is in the middle of its 29th season. More than one previous featival haa been described and reviewed in detail on this page; and so a first-time visitor to New Mexico, already in thrall to the vastness, majesty and beauty of the desert landscape and awed beyond measure by an opera auditorium perched miraculously on a hill and breathtakingly open to the elements, is in danger of trotting out praises stale with usage. But one praise that, bowever commonplace, demands repetition ia thet Santa Fe must be accounted one of the very few of the world's opera festivals to give opera in a way that properly merits the overused "festive" epithet. Place, time, and performance attitude conspire to lend a feeling of specialness; the simple act of arriving in one's seat affords each time a thrill not unlike that of reeching the castle courtyard theatre et Sevonlinne.

And the choice of repertory end sense of company are those of a serious opera festival. The list of American singers who have worked their way through the Apprentice Artist Program to eventual international eminence makes astonishing readiog: Sherrill Milnes, Samuel Ramey, Jamea Morris, Judith Blegen, Ashley Putnam, Neil Shicoff and Brent Ellis are only some of the more notable names. (Santa Fe has also attracted international opera veterans—Devid Ward until bis death, Ragnar Ulfung and Ann Howard atill—prized here for their special qualitias and annual revenants.)

But it is, of course, the list of works given here since the 1956 inaugural festival that makes the really inspiring list-perusal. Santa Fe regulerly gave the American premieres of Stravinsky, Berg and Britten. A persistent devotion to the Strauss and Henze of all periods is a local trademark; the world premières, if less startling in their yield, have been bold and freqnent. Popular repertory is blended in with the edventuroua each season; chances are rashly taken; the whole enterprise proclaims the singular tastes, determinations, and artistic bees-in-the-bonnet of its founder and conductor, John Crosby.

The 1985 season is one of the boldest. Alongside a new *Figaro* (produced by Göran) Järvefelt and an *Orphée aux enfers* revival (with Ann Howard as Public Opinion), there is the American première of Henze's *English Cat,* a revival of *Die Liebe der Danae,* and a new opera by the American John Eaton on a Shakespeare adaptation by Andrew Porter. The Eaton-Porter *Tempest,* an immensely ambitious undertaking requiring a spectacularly complex deployment of forces, has had a notice all to itself on this page. But Santa Fe's Strauss and Henze brought pleasures that can be more briefly reported.

Danae, the "cheerful mythology in three acts" completed towards the end of the last war and given its first public performance only after Strauss'a death, continues to lead a rather shadowy existence aven in these busy times of late-Strauss rediscovery. A British opera-goer who had never caught one of Munich's celebrated stagings, who missed the more recent Radio 3 studio recording under Mackerras, and whose Straussian sympathies are in any case subject to vagary and vecillation, approached the occasion with some nervousness. It was a shock of the most pleasant kind, then, to enconnter what seems to me one of the most beautiful, serious, and finely fashioned of all the Strauss operas—a "late" work of the best kind, that looks back over its own and other composers' pasts, and makes of the act of doing so a tender, heartfelt summation.

Danae, it has to be admitted, comes with its Libretto Problem ready-brandisbed. The original conception — a "light work" on the subject of Midas, Jupiter, Danae, and the golden rein—waa Hofmannsthal's; and it was revived some while after his death, not without misgiving and disagreement on the way, with the aid of the worthy, cultivated, not terribly light-fingered Josef Gregor. Read in advance, the book does indeed nudge out passing worries ebout the tone of the lighter scenes, particularly those in which Jupiter recalls dalliances with the chattery Semele, Europa, Alcmene, and Leda.

But even there, Strauss gets round the chatter by magically varying his textures, by weaving solo and concerted voicea with instruments in patterns of wonderful huoyancy and rhythmic vitality. More important, the core of the work supports its lengthiest diversions. The central trio—Danae, who learns to value love above riches; Midas, who leerns to exercise moral courege at great cost; and Jupiter, who learns to renounce easy licence and abuse of power—proposes the serious themes that had occupied Strauss all his working life. The iridescent appeal of the opera's sound and musical substance illuminatea the seriousness with a golden glow.

The strength of the Santa Fe performance lies in its central trio. Victor Breun, not heard in London for too long, makes a rugged, rueful many-faceted aging god, and his baritone compasses the cruelly high-lying vocal line with admirable power and presence. Dennis Bailey, even when returned to form, may not be the ideal Strauss tenor (but has that ideal ever existed?); he too exerts a compelling presence. When Glyndebourne adds the work to its Strauss canon, as it surely must, these two are obvious cast contenders. In the title role, Ashley Putnam makes attractive sounds, too seldom drawn into firm, word-sensitive lines, and overdoes the physical charms—but at least she has them to overdo. The production, originally by Colin Graham (and here revived by Bruce Donnell), is least good on the light side — sets and costumes lay out a queasy feast of glitter and operetta campery and the supporting players, who include Ragnar Ulfung as Pollux, overplay furiously. Crosby himself conducts, more solidly than poetically; perhapa the clear, dry acoustics of the auditorium inhibit euthentic string radiance.

The English Cat, whose 1983 Schwetzingen première David Murray reported on this page, is an odd piece — a chamber fable vigorously ond beguilingly worked in its first act which then loses direction (and its command of tight small forma and bright, wittily satirical scoring) in its second. As basis for e *Lehrstück* the Edward Bond libretto seems to me confused, or self-contradictory (or, in the case of the closing mouse-call to anti-cats arms, both). And yet Henze's inborn theatricality, so often swamped in larger, intellectually more ambitious operatic schemes, prevents attention from ever atraying too far. The Santa Fe staging, egain not very pleasing to look at, possesses the interplay of a thoroughly worked ensemble. Among the cast the Lord Puff of Michael Myers has the clearest words, Tom (Scott Reeve) ls good, and Inga Neilsen, Minette as in both the German and French previous showings of the work, is delicete, pure-toned, suhtle end very touching.

International Ballet Festival/Nervi

Freda Pitt

The International Ballet Festival at Nervi returned to the beartwarmingly beautiful park this July for the 30th anniversary edition after a year's absence.

During the earlier years of the festival, when dance was still very much a minority interest in Italy, lt introduced local dance-lovers to a large number of famous dancers and companies.

In more recent years, the festival—which is the responsibility of the Genoa opera house, Nervi being virtually a suburb of Genoa—has been dogged by administrative trouhles. Mario Porcile, who had organised nearly all the previous festivals, was replaced this year by Roland Petit, whose Ballet National de Marseille had already appeared twice at Nervi. Indeed, whether singly or together, both Petit and his company must be spending more time in Italy than in Marseille or Paris.

Petit was personally involved in three programmes, inclnding the opening one, a doubla bill that was strangely ill chosen by someone of Petit'a theatrical astuteness. An attractive open-air setting quite often enhances a work on a balmy summer evening, but the delicate appeal of *Les Forains* demands the more concentrated atmosphere of a normal theatre. Those of na who saw the Ballets des Champs-Elysées perform this work at tha Adelphi heatre in 1946, when the ballet was new and our ballet-going still in its early stages, experienced difficulty in judging it objectively.

In my opinion, at all events, it still casts its spell, Henri Sauguet'a bittersweet score having lost none of its charm, nor Christian Bérard's costumes their *chic.* In the original production, lt was the glamour of the dancers (led by the then 22-year-old Petit as the Conjuror) more than the cunningly spare choreography that made an indelihle impression. Tha Marseille dancers taking part in the revival danced quite neatly but with little personality, so the reception was sadly cool. *Les Forains* was followed by a revised version of Petit's Paris Opéra productioo of *Symphonic Fontastique,* here aired for the first time.

Berlioz'a grandiose score hardly lends itself to performance in the open air, particularly by a modest band such as that of the Genoa Opera (condncted hy André Presser). Petit's mostly low-key choreography was at its best in the first pas de deux for Dominique Khalfouni and Denys Ganio.

The two stars of the Marseille company shone more hrightly in the much better attended and altogether more enthusiastically recelved programme of homage to Zizi Jeanmaire called "A Zizi con amore." Unlike her husband, Jeanmaire was making her Nervi début. Irresistible as ever, she appeared in a few excerpts from Petit's last show for ber, *Hollywood Paradise* (reviewed in these pages by Clement Crisp) and earlier favourites such as the endearing *Mon truc en plumes,* which was well chosen as the final number, rousingly cheered.

In the first half of the programme, other dancers performed extracts from ballets containing roles made famous by Jeanmaire. In a substantial sequence from *Carmen,* Khalfouni, constantly riveting, showed herself Jeanmaire'a worthiest successor in the signature role, while Miton Manderon and Jean Charles Verchère, in the Blues from *Parisiana 25,* reminded us of Petit in his best neoclassical vein.

A very different French company appeared in the smaller theatre at the other side of the park. Maguy Marin's Ballet-Théâtre de l'Arche, founded in 1978, enjoys an enviably high regard in its native country. The company must have been relleved to find such warm weather at Nervi, for they wear no clothes in either the first or the final section of Marin'a *Babel Babel,* which is prefaced by a quotation from the Book of Genesis. Her rather ingenuous metephors in favour of the Simple Life as against metropolitan chaos contain too much pointless repetition. Speech and earsplitting rock music alternate with a movement from Mahler's First Symphony as well as his *Kindertotenlieder,* both used as aural wallpaper. A pity that the earnest ladies of the avant-garde seem to share a cavalier attitude towards music as well as an unwillingness to keep their dancers moving.

London Symphony/Albert Hall

Friday's Prom by Claudio Abbado and the London Symphony was all right—beta-plus, maybe, not better. The wildly variable form of this orchestra remains a great puzzle. Berg's Three Orchestral Pieces op 6 are not unplayable, for all Berg's perfervid over-egging of the score, and the LSO can play them admirably; but this time, apart from all the hrass fluffs in exposed places, main elements of the music were half-submerged and some important subsidiary voices never surfaced et all.

Perhaps more could he heard through Radio 3's microphones, though I donbt it could have been enough to display the sense of the music to new listeners. There were no obvious complaints to make about Abbado's conducting; his sound tempi were indented or pushed forward at the right places, and he generated a considerable charge in the closing *Marsch* despite the suhfusc playing.

With Stravinsky's *Petrouchka* being given in the sumptuous 1911 version, a merely decent performance was especially disappointing. This time Abbado'a tempi *were* e problem, regularly a notch too hasty to give peasant rhythms proper weight or to allow clean articulation, and the continuing insecurity of the trumpets was a worry. There was a modicum of zest, yes, and a lot of Stravinsky's glowing colours will take care of themselves; it was still a *Petrouchka* to enjoy temperately and to forget.

There was far more vital interpretation in Mahler'a five Rückert *Lieder.* Maria Ewlng's quicksilver bigh mezzo is not natural casting in these songs — certainly not "Um Mitternacht," where a vocal line solid enough to answer the low winds (and to sustain note-values where Miss Ewing scamped them) is needed, uor "Icb bin der Welt . . ." — mellow resignation is not her forte. But her defiance of tha stately Austro-German tradition was a tonic: unabasbed vocal personality, quick responses and intense inflections made one hear the songs quite freshly. Even "Icb hin der Welt . . ." *sounded* lovely, and her sweetly bonest "Liebst du um Schönheit" scotched the hint of mawkishness that usually makes it seem the weakest song.

DAVID MURRAY

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The second, late-night Prom on Friday evening was a notahle debut: the first ell electro-acoustic programme in the history of the Proms. The Albert Hall is so well suited to the performance of electronic music, so perfectly adapted to the projection of elaborate spatial effects, that it's a wonder the idea has not been proposed before. The large and enthusiastic audience evidently agreed: the experiment should become e regular, traditional feature.

For the first work, an eight-channel tape-piece by Jonathan Harvey called *Mortuos plango, vivos voco,* the hall wes darkened, and an array of coloured spotlights played on the acoustic mushrooms suspended from the roof. *Mortuos plango* is a sbort, poetical atudy, beautifully crafted, and built entirely from the sounds of a boy's singing voice and a single cathedral hell. It harks hack ln its lyricel simplicity nearly 30 years to Stockhausen's *Gesang der Jünglinge:* the hell counts time—it is itself a "dead" sound, for all its richness of sonority: the boy represents the living element. "The bell surrounds the audience; tbey are as it were inside it; the boy flies freely around." There were many calls for an encore as it ended.

Milton Babbitt'a *Philomel* for tape and soprano is a quite early electronic piece, dating from 1963, but it wcers well: cheracteristically dry ln formal utterance, it gives some nice imaginative play to the possibilities of the combination. Dorothy Dorow was the able soloist. The short programme ended with Stockbausen's *Kontakte*—that "Himalayan peak of electronic music" for piano, percussion and tape now a quarter of a century old, end atill astonishing for the variety it draws from the most minimal resources, here brilliently performed by Ingo Metzmecher and Andreas Boettger.

DOMINIC GILL

The Scarlet Pimpernel/Chichester

Michael Coveney

By-passing in reverse gear the suave and caddish film tradition of Leslie Howard and David Niven, Donald Sinden joins hands at the Chichester Festival Theatre with his Edwardian antecedent, Fred Terry, as the "demmed elusiva Pimpernel," a.k.e. Sir Percy Blakeney, Bart. Sinden sports Terry's jabot and spygless (e sort of transparent bottle opener) to make the point—but not before his first devilish disguise as a white-haired hag pulls your leg among the tumbrels end *tricoteuses* as he dodges his old adversary Chauvelin.

Baroness Orczy's blunderbuss of a melodrama has been tidied up a little—not enough, methinks—by Beverley Cross hut subjected, at the same time, to a most wonderfully vital and uninhibited production by Nicholas Hytner. Madame La Guillotine rumbles forward to a great hurst of applause. The scenic effect is not only splendid in itself but crucial to an evening tbat makes no bones about the sensual crudity of a pot-boiler that summed up a theatrical era wbile, in the very same year of 1905, Harley Granville Barker'a *The Voysey Inheritance* indicated the future. We are sufficiently far away now to enjoy, with a dellcious glow of guilt, the old style. And, in this respect, Sinden'a glorious performance is an unbeatable exercise in living stage history.

Sindan ia in his element. He renders Sir Percy'a surface imbecility with a garbled fruitiness of delivery, inflicting mortal wounds on words like "impeccable" and flecking hia worldly bluff with such over-emphatic touches of "aussi" and "splendido." His startled, stricken gravity is always that of a masked man under pressure and the Pimpernel is thus an obvious Sinden role. The one severe weakness in the show is Joanna McCallum's ill-defined and unstylish Marguerite.

Mr Hytner's opera work has been widaly and correctly praised. How refreshing to encounter him once more in the legitimate theatre (his Manchester *Jumpers* was widely under-estimated), supported by the imaginative talents of designer Mark Thompson—a new name to conjure with—and musical director Jeremy Sams.

The Parisian smokey tableaux that open each half give way to tha foppish sub-Wildeanism of the candy-striped frock-coated English aristocratic landscape, with tha livid complexioned Chauvelin of Charles Kay, in absolntely top form as a sort of Napoleonic Beethoven figure, sucked into a game of bowls and even threatened with a cricket lesson.

While the production barely articulates tha pull on Marguerite'a affections by her threatened brothar and the husband whose love has died, there is great fun as the plot unravels with a hideously deformed inn-keeper ("Rung any good bells lately?" inquires Sinden), a knock-on low comedy gag involving a tureen of rat-infested soup, and a slickly executed denouement that freezes in a carefully posed kiss of marital renewal. The Royal Shakespear Company announced unfulfilled plans for tha Scarlet Pimpernel with Ian Richardson some years ago; Sinden and Chichester have brought the project to just fruition.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

August 2–8

LONDON

Royal Festival Hall: London Festival Ballet in Romeo and Juliet and La Sylphide. (928 3191).

WEST GERMANY

Bayreuth's annual Wagner festival, to August 28, includes The Flying Dutchman, produced by Harry Kupfer with Simon Estes in the title role. Tannhäuser, newly produced by Wolfgang Wagner, brings together Cheryl Studer, making her Bayreuth debut, and Rene Kollo. It is conducted by Guiseppe Sinopoli. Parsifal features Peter Hofmann, Simon Estes, Hans Sotin and Waltraud Meier. James Levine conducts.

ITALY

Rome: Terme di Caracalla (Rome Opera summer season): Turandot conducted by Daniel Oren with scenery and costumes by Sylvano Bussotti (based on the design of Galileo Chini and Umberto Brunelleschi for the opera's first performance at La Scala in 1926). This is the first time the completed version (by Franco Alfano from notes by Puccini) has been staged in Europe. Gwyneth Jones sings the title role with Diana Soviero as Liu, and Nicola Martinucci as Calaf (Wed). 461755.

Verona: Arena di Verona: Giselle conducted by Michel Sasson, danced by Carla Fracei (almost unbeatable in the title role), alternating with another distinguished performer, Elisabeth Terabust; Charles Jude in the part of Albrecht. Also Verdi's Attila, conducted by Nello Santi and produced by Giuliano Montaldo. In the cast Bonaldo Giaiotti, Antonella Manotti, Veriano Luchetti and Silvano Carroli; Aida (a re-creation of the 1913 production) conducted by Daniel Oren, and Jon Wednesday; Il Trovatore conducted by Reynald Giovaninetti and produced by Giuseppe Patroni Griffi. (23520).

Montecarlo (Lucca) (International Festival of Marlia and Lucca): Teatro dei Rassicurati: Händel's three-act musical drama Hercules produced by Antonio Taglioni and conducted by Herbert Handt, with the combined choirs of Cambridge University and Trinity College (Wed). (22517).

Macerata: Arena Sferisterio: The summer season opens with an ultra-traditional production of Rigoletto conducted by John Manceri, directed and with scenery by Mauro Bolognini. In the cast are John Rawnsley (title role), Cecialia Casdia as Gilda, Lando Bartolini as the Duke of Mantua and Mario Luperi as Sparafucile. Also Aida produced by Flavio Trevisan and conducted by José Collado, with Yasuko Hayashi (Aida), Graziano Monachesi (the King) and Fiorenza Cossotto (Amneris). (Thur). (49508/40735).

SPAIN

Santander, Plaza Porticada. Alwin Nikolais Dance Theatre of U.S. European premiere of programme including Noumenon, Graph, Tensile Involvement, and The Mechanical Organ. (Thur). (210508).

NEW YORK

Berkshire Opera Company (Cranwell Estate): With picnicking on the lawn between acts to view the sunset in the mountains, "Glyndebourne in the Berkshires" inaugurates its first season with fully staged and costumed performances of Acis & Galatea to celebrate Händel's 300th birthday. The full orchestra for the opera will be conducted by Judith Norell, who is also the harpsichordist. Tenor Gary Glaze from the New York City Opera sings the role of Acis, while Maureen O'Flynn of the Pennsylvania Opera sings Galatea. Bass baritone Andrej Dobriansky from the Metropolitan Opera takes the part of Polyphemus and tenor Patrick Romano, of the Waverly Consort, is Damon. Marge Champion, the noted choreographer and dancer, is doing the masque for ballet under the staging of Thomas Lee Rindge. Lenox, Massachusetts (413 637 3073).

New York City Opera (NY State): Elizabeth Knighton sings Magda, the banker's mistress whose true love is the provincial Ruggero, sung by Jon Garrison in Lofti Mansouri'a winning productioo of La Rondine conducted by Alessandro Siciliani. Samuel Ramey sings the title role of Attila, conducted by Christopher Keene and directed by Lofti Mansouri. The week also includes Carmen and The Daughter of the Regiment. Lincoln Center (870 5580).

Oslo Poetry Festival

Juliet Cashford

Octavio Paz, Mexican poet and diplomat, who was Ambassador for Mexico for six years in London, has accepted e prize of over £3,000 aa the first recipient of the Sighjorn Obstfelder Award et an International Poetry Festival which took piece in Oslo recently. The Festival was aponsored by the Den Norske Credit Bank, Aker Brygge the construction company, the Ministry of Culture, the Ministry of Foreign Affairs, and a far-sighted individual, Kjell Sinstad, who guaranteed the fares for the participants on SAS flights and started the ball rolling.

The Festival drew poets, novelists, mnsicians and dancers from all over the world and gathered them in boats, warehouses and theatres beside the Oslo docks in celebration of tha ancient belief that poetry actually mattered. The Mayor of Oslo gave the ceremonial welcome and the American, Mexican and Indian Embassies threw open their doors for dinner and parties.

From Britain came Ronnie Laing, Russel Hoban, Jon Silkin, Lorne Tracy end Noel Cobb; from America Sonia Sanchez; from Brazil Agosto de Campos; from Italy Lamberto Pignotti.

Many of the poems charted the interface hetween poetry and politics or history, asking what the poetic voice can do in "purify the dialect of the tribe," as Eliot phrased it. This is a question which Octavio Paz is uniquely fitted to answer through the experience of bis own life: "Poetry is the other voice," he has written, "Not tbe voice of bistory or of anti-history, but the voice which, in history, is alwaye saying something different."

In Oslo he apoke of the "Third World": "You all believe Mexico is a part of the Third World. I don't see any Third World. What do Argentina, Senegal, India and Angola have in common? Neither culture nor language nor political institutions. Latin America is an extension of the Western world just like the U.S., just going in its own direction."

What then is gained by these abstractions or, more exactly, what is lost? The consensus of the Festival was that language creates the world we inhabit quite as mnch as the other way round, for language is a dimension through which we dlacover and create and relate to each other. The poet'a task is to re-create language itself in accordance with laws other than those which govern social communication, and so—Paz continued — "the most dangerous thing is when the state begins to give laws about literature," for then the "leap into the unknown," which *is* poetry, cannot happen.

The success of the Festival means that it will be a yearly event. Next year's theme will he Shamanism, Magic and Poetry."

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Relko rocking horses

Hobby takes a part-time turn

BY WILLIAM DAWKINS

MAKING wooden rocking horses in a boatyard in Berkshire might sound like the stuff from which small business fairy-tales are made.

But that is exactly what Angela Reid and Julie Langton set out to do two years ago when they paid £40,000 for Relko Rocking Horses, a tiny Devon-based firm whose owner was pulling out to set up a farm in New Zealand. Reid, 30, a former primary school teacher and Langton, 40, a toy shop owner, were looking for a profitable hobby that would not impinge too much on their family lives.

Perhaps inevitably, running Relko—named after a former Derby winner—has turned out to be more time-consuming than either of them hsd expected. "It's quite difficult to keep up with it sometimes," admits Langton. Yet the pair's experiences have proved that with s degree of careful planning, running a part-time business can be fun, as well as profitable.

That is not to say that Relko is a toy. Last year it sold an estimated £80,000 worth of rocking horses to the toy, furniture and craft trades for between £300 and £500 apiece, on which it broke even. Sales are expected to pass £100,000 in the current year to August, on which Relko reckons to make a profit of around £10,000.

Relko's customers include Harrods, Heals, Macy's in the U.S., and Royal Porcelain in Copenhagen, where its horses have been used for window displays. Bot to bring Relko to its present modest prosperity, Reid and Langton have had to jump several considerable hurdles.

These include the problems of finding suitable staff, steering a way round local planning restraints (which have forced them to run the business from at least three centres at once) and the nail-biting business of guessing three months in advance what the all-important Christmas demand is likely to be so that stocks can be assembled in time.

Langton and Reid met almost by chance. Reid's husband was working as an auditor for Langton's husband, a local sports car dealer, when he heard that Julie was planning to wind up her toyshop in Cookham because she found the work unrewarding and repetitive. Angela felt the same way about teaching.

Hugh Routledge

Julie Langton (left) and Angela Reid: running Relko has proved more time-consuming than either expected

Advertising in local newspapers attracted several unsuitable opportunities; a face cream maker which turned out to be too expensive, a producer of cassette tapes for magicians, and a group of former SAS men looking for backers to pay for an adventure camp in Wales.

Relko, which they eventually spotted through an advertisement in the FT, looked right because of Langton's contacts in the toy trade and Reid's experience as a riding instructor. The fact that it was hundreds of miles away in Devon did not matter because a boatyard near Langton's home in Cookham was happy to make up the horses as a subcontractor.

They found the purchase price from their personal savings—an equal contribution from each—and a £10,000 overdraft from National Westminster Bank provided working capital to start production for the customers they had inherited. "We just loaded an enormous pantechnicon with patterns, tools, glue and half made-up horses and brought them up here," recalls Reid.

With assembly safe in the boatyard's hands, the pair could immediately concentrate on marketing. Most of Relko's customers were small toy and craft shops; a solid enough base, but one which offered little scope for expansion for a business too small to afford national advertising.

Part of the answer was to build up the small number of export sales which Relko had started to make under its previous owner. With the help of overseas agents contacted through the British Overseas Trade Board, these now account for half of total turnover. In the UK, the pair lobbied up-market department stores (though they have never advertised their products), marketing the rocking horses on the grounds that they make eye-catching shop displays as well as profitable selling lines. "The toy market is volatile and faddish," says Reid. "So you have to let the horses go to places where they can be seen."

A year after Relko's move to Cookham, during which the firm broke even, Langton and Reid felt confident enough to start recruiting their own staff—they now employ four—for production in a shed rented from the boatyard. "We tried everything; jobcentres, advertisements and furniture colleges. Yet we found it very difficult to attract the right people," says Reid.

The wages they were able to offer might have had something to do with it. The highest paid person at Relko is Geoff Jones, a redundant transport manager for Wiggins Teape, the paper group. He earns just £120 per week as workshop manager, or £6,240 annually—far more than the £4,000 that Reid and Langton pay themselves.

Packing and fixing manes and leather tack takes place in a converted barn 10 minutes' drive away from the workshop, in Pinkneys Green, while administration is handled in a nearby office. They find this set-up highly inconvenient, but it is the only solution in an area where it is almost impossible to get planning consent for any kind of industrial building.

Their tasks have been easy to divide. Langton takes charge of production because she lives near the workshop, while Reid looks after administration and finishes off the varnished horses.

On average, they spend three to four days a week running Relko; an easy enough commitment for Langton, who has one 16-year-old son, but rather tougher for Reid with her five-month-old baby. Indeed, Reid is somewhat piqued that she cannot charge baby-minder's pay as a business expense on her tax return. "After all, the baby-sitter does enable me to go out to do business," she points out.

But the biggest anxiety is in estimating the size of the stocks that need to be made up in early autumn in preparation for Christmas sales. Although these account for a small share of annual turnover, they should produce the bulk of annual profits because of Relko's high proportion of fixed labour costs. By the end of September, up to £20,000 worth of rocking horses will be waiting riderless in the barn. Only a few of them will have been made against firm orders, and Relko will probably do little more than tick over at break-even until they are sold.

"A lot of small shops hold off until the last minute before Christmas," says Reid, who adds with just a hint of nervousness: "But the signs are good."

In brief...

A FIRST stab at attempting to gauge the size of the European venture capital industry has been taken by British accountants, Peat, Marwick, Mitchell.

According to the provisional results of a survey the firm has conducted for the European Venture Capital Association, roughly 5bn European Currency Units (£2.8bn) are available throughout the community for investment in small businesses. That compares with the $4.2bn (£2.9bn) committed to U.S. venture capital groups during 1984.

Around half of the European total is supplied by banks or big industrial groups, a marked contrast to the U.S., where the main providers of venture capital are pension funds and insurance companies, says the association. Pension funds make up roughly a fifth of European venture capital investment, while private investors provide the balance of almost 13 per cent.

Computers constitute the biggest venture capital investment sector in Europe, according to the survey. They swallow up 18 per cent of the total.

The survey indicates that syndicated financing is popular among European venture capitalists, with an average of 56 per cent of deals being backed by more than one partner.

Robert Ceurvorst, secretary-general of the association, says the figures are no more than a "snapshot" and points out that more accurate final results will be published in September.

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More than 80 young entrepreneurs will be selling and promoting their products at the second Work for Yourself Fair in London's Covent Garden Piazza on Saturday.

Most of them have been supported by Project Fullemploy, the privately funded training body, which is organising the event with Business in the Community and the London Enterprise Agency.

The fair will be open from 10 am to 6 pm and will include a wide range of businesses created by jobless youngsters, including a Caribbean caterer, cartoonist, fashion designers and craft makers. The organisers will provide stands where specialists are on hand to offer advice to people wanting to learn more about self-employment.

Venture capital

Focusing on franchising

BY JANE RIPPETEAU

A SMALL number of British venture capitalists are beginning to take an active part in creating the companies in which they later invest.

This is one way of getting round the shortage of high quality investment propositions so frequently bemoaned in venture capital circles. Few areas could be more ripe for this approach than franchising; an industry which its proponents maintain has impressive growth prospects in the UK, but which has notably failed to expand as quickly as in the U.S.

"We call it concept construction," says Robin Hodgson, managing director of Granville and Company, the London-based licensed securities dealer and fund manager. That is the startegy adopted by Granville's latest venture, Franchise Investors Ltd (FIL), which aims to manage and invest in franchising operations, using the £1.25m it has attracted from a handful of financial institutions.

The plan is to emulate in Britain a form of retailing which took off with spectacular success in the U.S. 20 years ago. FIL's main technique will be to get U.S. franchisors to farm out their operations to UK franchisees. But during its short three-month life, FIL has uncovered some revealing lessons about the difficulties of transplanting directly into the UK a U.S. formula.

"The time is right," says FIL managing director Richard Crook, speaking on his fourth day in spanking-new apple-green offices, which he chose for the convenience of his anticipated American visitors, just one tube stop away from Heathrow Airport. "The 1980s will be the decade of franchising in the UK," he adds.

Crook, an American who is a former jet fighter pilot, successfully set up Budget Rent-a-Car's franchise operation in the UK, Europe and Africa. He says his first deal for FIL is imminent and that two others, out of some 50 to 60 proposals he has already received, are very close. The first company, which he will not name, involves a U.S. firm (not fast food) that already has a franchise operation in the UK, but which has had little success with it.

Americans, he says, "think Britain is the 51st state. They forget it is a foreign country. They come in here and their mouths are running when their ears should be listening." Customer expectations are very different, he says. In fast-food establishments, "the aluminium and glass thing, and plastic sets weren't thought too kindly of here until recently," he says.

Cultural differences are not the only problem. Pitfalls range from such mundane issues as technical standards—machines adapted to the wrong voltage, for instance—to differing legal conditions and property availability.

The genesis of FIL was in itself an exercise in entrepreneurship for Thomas Sooke, a Granville director who first had the idea for this franchise management company. Sooke was lunching one day in mid-1983 with Martin Mendelsohn, a solicitor with Adlers, the London law firm, and a specialist in franchising. "We were talking about another company, but I knew that was a pet theme of his, and were looking at that time for speciality areas of fund management," recalls Sooke. "It was one of thosa ideas that comes out of a conversation."

Potential

Back in his office Sooke talked it over with colleagues and got a concept paper approved by the Granville board within one month. Then the hard work began. First, he started "asking who were the main hitters in the franchise world." He recalls: "It took another eight months for me to bring the right people in (principally Crook), four months to do a report for potential investors and four months to finalise financing. I didn't realise it would take so long."

Marketing a concept, as opposed to a product-based company, was particularly tough. Along with the 25 per cent share held by management, including Granville, the few institutions attracted so far include PosTel Investment Management and Legal & General Assurance.

FIL intends to concentrate on business format franchises rather than on manufacturers' franchises, such as automobile dealerships. In a business format franchise, a franchisor—the owner of the founding company—licenses a franchise to run a business using a format and name established by the franchisor.

The franchisor supports the franchisee by, for instance, handling lower-cost bulk purchasing and leaning on suppliers for quality and fast delivery, running the advertising budget, to which each franchisee contributes, and analysing buying trends. The franchisee pays an initial fee, as well as royalties ranging from 3 per cent to possibly 30 per cent of turnover depending on business, and puts up his own money for premises.

The arrangement cuts out costly middle management and allows a company to grow by cloning itself at other people's expense. For the franchisee, the motivation to succeed is enormous and the rewards can be high. "Franchisees have a talent level and a commitment way in excess of typical corporate managers," claims Crook. "They may have their life savings in the business. They are self-starters, willing to take risk, and that is why they try hard to succeed. They have to."

Franchising has grown considerably in the UK, with Wimpy among the oldest and most successful players. Anthony Dutfield, a director of the eight-year-old British Franchise Association, counts 70 members, with another 18 under consideration. He estimates that the £1.4bn worth of sales now made through franchising will multiply about five-fold by 1989.

Taking a cue from FIL, Dutfield has set up a committee to try to attract more venture capital into franchising. He estimates that, on overage 15 per cent of franchises fail within five years of start-up, a far lower death rote than for venture-backed companies in general.

Crook disagrees with industry growth figures but he does believe franchising will easily double sales in five years.

"Businesses are not as competitive and consumers are not as demanding of quality service" as in the U.S., says Crook, but when they do get good service "the British appreciate it more than anybody I've ever seen and they go farther to get it."

Businesses for Sale

Receivership Sale

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For further details please apply to:
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Company Notices

NOTICE OF REDEMPTION TO THE HOLDERS OF FINANCE FOR INDUSTRY LIMITED
(now Investors in Industry Group plc)

12½% STERLING/U.S. DOLLAR PAYABLE BONDS 1989

NOTICE IS HEREBY GIVEN to the holders of the outstanding 12½% Sterling/U.S. dollar payable Bonds 1989 of Investors in Industry Group plc that, pursuant to the provisions of the Paying Agents Agreement dated July 11, 1979 and the Terms and Conditions of the Bonds, Investors in Industry Group plc intends to redeem on September 20, 1985 all of its outstanding Bonds, at a redemption price equal to 100¼% of the principal amount thereof plus accrued interest to the redemption date.

Payments will be made on September 20, 1985 against surrender of Bonds with coupons due July 1, 1986 and subsequent attached at the main offices of Morgan Guaranty Trust Company of New York in Brussels and Frankfurt am Main or Banque Internationale a Luxembourg S.A. in Luxembourg.

Payment will be made on September 20, 1985 against surrender of Bonds in sterling or, at the option of the bearer, in U.S. dollars calculated as set worth in condition 6 of the Bonds. Such option to receive dollars is irrevocable and may be made only by the presentation and surrender of such Bonds, together with a completed notice of exercise of dollar option, at the principal office of any of the Paying Agents not later than September 11, 1985. Interest on the Bonds is payable only in U.S. dollars.

Payments will be made (i) in the case of any payment to be made in pounds sterling by a cheque drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto, and (ii) in the case of any payment to be made in U.S. dollars, at any agency outside New York City by a cheque drawn on a U.S. dollar account, or by transfer to a U.S. dollar account maintained by the payee with a bank in New York City, subject in each case to any laws or regulations applicable thereto. Any such payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 20% of the gross proceeds if payees not recognised as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 in the case of non U.S. persons or an executed IRS Form W-9 in the case of U.S. persons.

From and after September 20, 1985 interest shall cease to accrue on the Bonds herein designated for redemption.

INVESTORS IN INDUSTRY GROUP plc
By: MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Principal Paying Agent
Dated: August 6, 1985.

NACIONAL FINANCIERA FLOATING RATE NOTES DUE 1986

Please be advised that for the six months July 29, 1985 to January 28, 1986 the notes will carry an interest rate of 8 11/16 % P.A.

The interest due on January 29, 1986 against coupon number 13 will be $ US 44,40 and has been computed on the actual number of days elapsed (184) divided by 360.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
LUXEMBOURG BRANCH

BANQUE NATIONALE DE PARIS

US$400,000,000
Floating Rate Notes 1984 due 1995

The rate of interest applicable to the interest period from August 6, 1985 to February 6, 1986 as determined by the reference agent is 8¹³⁄₁₆ per cent per annum namely US$444.02777 per bond of US$10,000

EUROPEAN FERRIES GROUP Plc
(CDRs)

Referring to its advertisement of 11th July 1985 the undersigned announces that by error div.cpn. no. 1 of the CDRs European Ferries Group Plc. was declared payable with Dfls. 18.44, however, it must be payable with Dfls. 18.14.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam.
31st July, 1985.

NOTICE TO THE BONDHOLDERS (6½% Convertible, Guaranteed, 1989) of ASIA NAVIGATION INTERNATIONAL LIMITED, BERMUDA

NOTICE IS HEREBY GIVEN that the Register of Members of Eastern Asia Navigation Company Limited, 16th Floor, World Shipping Centre, Harbour City, 7, Canton Road, Kowloon, Hong Kong, will be closed from 11th September, 1985 to 17th September, 1985, both days inclusive, during which period the 6½% Convertible Guaranteed Bonds 1989 issued by Asia Navigation International Limited, Bermuda, on 6th March, 1974 will not be convertible into fully paid registered shares of Eastern Asia Navigation Company Limited.

By Order of the Board
WORLD-WIDE SECRETARIES LIMITED
Secretaries
6th August, 1985.

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FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Tuesday August 6 1985

Rumblings in Latin America

WITHIN HOURS of taking office, the newly-elected President of Peru openly declares his intention to default on the servicing of his nation's foreign debts. Brazil warns that no agreement with the International Monetary Fund is imminent and seeks an extension of $16bn in short-term credit lines for the third time in six months. The Government of Mexico is clearly shaken by fierce electoral opposition, in spite of large scale ballot-rigging and a pre-election import boom which has set the nation's adjustment programme back by months, if not years.

Meanwhile, the Bank for International Settlements reports that commercial lenders have reduced their exposure to developing countries in the first quarter of 1985. For the first time since the data began to be compiled, therefore, the commercial banks are unambiguously making the Third World debtors' economic adjustment more difficult by drawing resources away from developing countries, instead of increasing their lending by 6 to 7 per cent, as assumed even in the cautious projections of the International Monetary Fund.

Two years ago a catalogue like this might have dealt a serious blow to financial and economic confidence throughout the world. Today, there is scarcely a ripple of concern and in some ways the world's increasing phlegmatic attitude to Latin America is understandable. Whether one looks at economics, politics or finance, the early fears about Third World debt may seem to have been overdone.

In economic terms, the debt crisis has not proved quite as disastrous as many forecasters had expected, partly because of the decline in U.S. interest rates. Brazil, Mexico, Argentina and Chile have all enjoyed some growth in GNP per head for nearly two years now. Of the significant debtors, only Bolivia, Peru and Venezuela continued to move deeper into recession last year and it may not have been lost on the other Latin Americans, that these three countries were among the very few on their continent which refused economic supervision by the IMF.

The politics of the debt crisis have been even more reassuring. Vociferous demands for "political solutions" have been made by nearly every Latin American government but they appear to have been made entirely for domestic consumption. Apart from Argentina, and now Peru, the Latin Americans have shown no signs of taking unilateral actions to advance their proposals. Domestic politics have also been encouraging creditors; the Latin Americans' ability to accept one round of austerity after another has proved virtually limitless.

Finally, there has been the financial dimension. Commercial banks have reduced their Third World loans significantly in relation to their total capital. For the top U.S. banks this ratio dropped from a peak of 288 per cent in 1982 to 224 per cent at the end of 1984—an improvement resulting from a combination of rapid capital growth and the disinvestment in Third World countries

Unfortunately, all these developments can be viewed in a less optimistic manner. Economic growth could decline dramatically again as the U.S. economy decelerates and new rounds of austerity begin to bite in Brazil, Mexico, Argentina and Chile;

Politically Peru seems to have concluded that Latin America's calls for a far-reaching restructuring in the relationships between debtors, banks and creditor country governments are unlikely to be heeded unless they are backed by tangible actions. As long as this view is confined to Peru it poses no challenge for the present framework, since Peru is hugely in arrears with its debt payments in any case; but the idea of unilateral rescheduling could spread across the Andes to Argentina and Brazil.

Finally, the very fact that the banks have been reducing their exposure to Latin America weakens substantially their bargaining power. If the debtors become convinced that they have no prospects of renewed financial inflows from the industrialised countries, they will have little or no incentive to abide by their loan agreements. Latin American governments may yet decide that some form of conciliatory default, like the one announced by Peru is the only way to force the rest of the world to take their hardships seriously. On present trends, this may seem unlikely; but it is a possibility which bankers and politicians in the industrialised countries would be rash to ignore.

A state industry sets an example

PRIVATISATION is at best a partial answer to the problems of Britain's nationalised industries. Some state-owned businesses are in no shape to be sold off to the private sector, and it is here where relations between Ministers and boards of directors tend to be most awkward. As Mr Ian MacGregor, chairman of the Coal Board, has recently complained, Ministers are inclined to second-guess their appointed managers and thus create confusion about policy objectives. Some second-guessing is perhaps inevitable when the industries concerned make such large demands on the taxpayer. But the right way to deal with the heavy loss-makers is for the Government to decide what it wants to do with the business, appoint a strong management with clear terms of reference and let it get on with the job. British Shipbuilders provides a useful model for this approach.

In most of Western Europe shipbuilding is a declining industry, protected and subsidised by the taxpayer. In the face of strong political and trade union pressure, governments are trying to reduce the industry's claims on public funds and to adjust its capacity to a smaller share of the market. The British experience shows that, given firmness of purpose on the part of ministers and managers, progress can be made. Despite past mistakes—of which nationalisation eight years ago was the worst—and unfavourable market conditions, the British industry has been substantially reshaped, parts of it sold back to the private sector and losses sharply reduced. British Shipbuilders' results for 1984-85 showed a drop in trading losses to £25m compared with a record £161m in the previous year.

The chairman, Mr Graham Day was brought from Canada by the government two years ago with a mandate to shake the loss-making merchant side of BS into a leaner and less cash-hungry state and to sell the profitable warship yards and the peripheral shiprepair side.

The process is far from over, but well advanced. Yarrow, the frigate builder, has been sold, Vosper Thornycroft will soon follow, and the Vickers submarine yard has taken under its wing Cammell Laird of Liverpool which has recovered from last year's debilitating labour dispute. Swan Hunter, in profit on warships after stopping merchant ship construction, will probably be bought by a management team.

BS's future results will certainly not be helped by the sale of its profitable yards, as Mr Day is well aware. But those profits may well suffer anyway from the tougher stance of the Ministry of Defence over the ordering of naval and other equipment.

Whatever the effects of returning the warship yards to the private sector, however, BS's results have been lifted up by a key decision to make a hurried exit from the offshore sector. By selling Scott Lithgow to Trafalgar House and pulling Cammell Laird back into mainstream shipbuilding, a severe drain on BS's resources was ended.

Stripped of the warship yards and shiprepair facilities and with the costly offshore incubus removed, the remainder of BS—the merchant core or rump—will have to scramble for orders in a harsh environment. Mr Day is determined to sidestep as far as possible direct competition from the big Japanese and South Korean yards. BS is going after ship orders related to specialist markets.

It has been successful in winning business this year, but is less sanguine about the near-term future.

Like other European shipbuilders, BS still needs subsidies — permitted under special EEC arrangements — to narrow the price gap with the Far East. How soon it can be weaned off them depends partly on its own efforts, partly on the evolution of the market. Subsidies are a feature of the industry not just in Western Europe, but in the Far East as well; it will be a long time before anything resembling a level playing field is established. Yet BS has to go on cutting its costs, making itself more efficient and finding niches in the market where it can compete profitably. The company is by no means out of the wood, but the record of the last few years shows what can be done, even in the least promising of state-owned industries when there is a clear policy firmly carried through.

EUROPEAN COMPANIES AND SOUTH AFRICA

'We are a force for good'

By Financial Times Reporters

IF EUROPEAN business leaders are adjusting their attitudes to South Africa in the light of recent developments, they are showing little signs of it either publicly or privately.

Whether they are British or German, French or Swedish, company executives with substantial operations in South Africa still believe they are a force for good; that they are contributing to the improvement in living standards and civil rights of the blacks.

Most find the apartheid system abhorrent and many believe that it is hurting the development of the South African economy and their businesses. Some are reducing their presence in the country, but few admit to thinking seriously of total withdrawal.

European industry leaders also believe that full economic sanctions against South Africa would do more harm than good. Sanctions would be difficult, if not impossible, to enforce and they would be ineffective as a means of pressuring the South African Government to withdraw the apartheid system. The disruptive effect on the country's economy would, the industrialists believe, hurt blacks more than whites.

These are the main points arising from an informal survey of business attitudes to South Africa carried out in the past few days by FT reporters in many European countries. Even though these views are well known and relatively uncontroversial, very few leading European industrialists were willing to express them publicly. Some European companies with very large operations in South Africa, such as ICI, Nestle, Siemens and Unilever, refused to answer any questions at all about their interests there.

Those who did respond were emphatic that their operations in South Africa are, as Sir Timothy Bevan, the chairman of Britain's Barclays Bank, said last week, "a force for good." They said they provide blacks with good employment opportunities and are at the forefront of efforts to remove apartheid in the workplace.

Sir Timothy said that Barclays' South African subsidiary employs 40 per cent of all blacks working in the banking sector. Dr Rolf Sammet, chief executive of Hoechst, the West German chemical company, points out that the company's black employees in the Cape Town area were earning more than double the rate recommended by the European Community code of conduct.

Almost all the companies contacted said that their South African operations comply with the EEC code and, in most instances, surpass its minimum requirements. The exceptions are the mining finance companies, because South African law still prevents black workers from obtaining a blasting certificate and so limits their promotion potential compared with whites. The Government has indicated it wants to repeal the law, but is apparently in no hurry.

European industrialists believe they can continue to improve the conditions of black workers and so should maintain their operations in South Africa. Many have thought of getting out altogether but say they have discarded the idea. Mr Lars-Ivar Hising, executive vice-president of Sandvik, the Swedish tools group that supplies rock drills to the South African mining industry, said: "We believe the best way to contribute to an improved situation—even in a small way—is to remain on the scene."

Mr Anton Schrafl, deputy chairman of Holderbank, the Swiss cement concern, says the group has never thought of leaving South Africa, where it has been active since 1938.

Rowntree Mackintosh of Britain said pulling out of its Wilson-Rowntree subsidiary would entail either closing down a company employing 2,500 people or would merely pass ownership to someone else. "This subject has been debated, but withdrawal was not considered to be in the interests of the business, its employees or the blacks in general," a spokesman said.

This does not mean that most companies are still investing heavily in South Africa. Many are just maintaining their existing interests and others are reducing their presence.

A number of British companies did so, for example, in the early 1980s. Among them, Prudential Assurance sold 32 per cent of the shares in its South African subsidiary in 1983 through a public share offer for £14.8m. But the company denied at the time that this reflected a loss of confidence. Associated British Foods sold its 52 per cent stake in a South African company in the same year for £198m cash. Also in 1983, Metal Box sold its 51 per cent stake in its South African subsidiary in return for £40m in cash and 25 per cent stakes in two South African companies. MB said it did the deal mainly to reduce its borrowings, but it acknowledges that the political and social climate was a factor.

Even Consolidated Goldfields, the British mining finance group founded 100 years ago to develop South African gold mines, is much less dependent on that country than it was 30 years ago. Goldfields embarked on a diversification programme in the 1950s and today three-quarters of its £675m in net assets are outside South Africa.

Goldfields and its fellow British mining finance house, Rio Tinto-Zinc, have both reduced their exposure to South Africa by not investing in new projects. RTZ's last major investment there was the Palabora copper development started in 1963, although the Rossing uranium development in Namibia began in 1975. Only 2 per cent of RTZ assets are now in South Africa, and less than 4 per cent in southern Africa, including Namibia and Zimbabwe.

FOREIGN INVESTMENT IN SOUTH AFRICA

Country	Market value mid 1985 £bn
UK	12
U.S.	10
W. Germany	2
France	1.5
Switzerland	1
Rest of World	5
Total	31.5*

*of which 46 per cent direct investment.
Source: Anti-Apartheid Movement

Barclays Bank has reduced its stake in its South African subsidiary from 55 per cent to 50.4 by the simple expedient of not taking up its shares in rights issues. But the £133m investment is still a significant one and the subsidiary's £6bn in assets represents 8.5 per cent of the Barclays total. Standard Chartered, the other British bank with a major stake in South Africa, has also been running down its interest by standing back from rights issues of Stanbic, and now holds only 42 per cent of it.

A few European companies, notably Daimler Benz and Volkswagen of West Germany and Compagnie d'Electricite of France, have been building up their investments in South Africa. Daimler Benz has invested more than R200m in the country since 1981 and has boosted its stake in its South African holding company to the controlling 50.1 per cent level. The company said this not only secured its business interests, but enabled it to have more influence on the work and social conditions of its mainly black labour force.

GCE's CGEE-Alsthom subsidiary has injected R4m into boosting the capital of its electrical equipment assembly subsidiary in South Africa in the past four years. Merlin Gerin, another French electrical equipment maker, has recently invested FFr 14m in setting-up two subsidiaries in South Africa. Courtaulds, the British textile group which has a large forestry and pulp mill operation in South Africa, has also been increasing its investment there, which now stands at more than £75m.

Many European industrialists prefer not to comment on the apartheid system, saying that their responsibilities have nothing to do with politics, and that they are obliged to obey the laws of the countries in which they operate. Those who would express a view were firmly opposed to it, and said they were doing everything they could to remove apartheid in their own operations. But some were also critical (privately) of the strident anti-apartheid campaigners.

"If all this pressure results in chaos in South Africa, the rest of the world has to share the responsibility for it," one said. "I think a lot of people are joining this cause because they see it as a way of going to heaven."

Most industrialists believe apartheid is having a negative effect both on the South African economy in general and on their own operations. The system causes many petty irritants for companies. Total, the French state-owned oil company, complained about the fact that black managers are forced by law to return to their townships at night.

But it also causes more substantial damage. Pilkington Brothers, the British glass group which has interests in manufacturing and merchanting glass in the country, said that increased wealth in the hands of the black majority would have a beneficial effect on the general level of economic activity, "particularly in house construction and automobile sales where we have a substantial interest."

Whatever their views on the way forward in South Africa, European businessmen agree that economic sanctions would not work. Dr Werner Breitschwerdt, chief executive of Daimler-Benz, said: "We are absolutely convinced that a boycott would be a completely unsuitable way of trying to improve the conditions of the black population in South Africa. It would achieve nothing but a further hardening of the present situation."

All the industrialists are highly sceptical that sanctions can be enforced. British companies recall the failure of sanctions against Rhodesia in the 1970s.

Oil supply was the crucial issue in the Rhodesian operation, and the big international oil companies would undoubtedly be in the limelight again if sanctions were ever applied to South Africa. Shell and British Petroleum are the main suppliers. They share ownership of a refinery and supply about 40 per cent of the markets for petroleum products. France's Total has a 30 per cent stake in the Sasolburg refinery.

Shell, which has about £250m invested in South Africa, said it does not have a view on how effective sanctions could be.

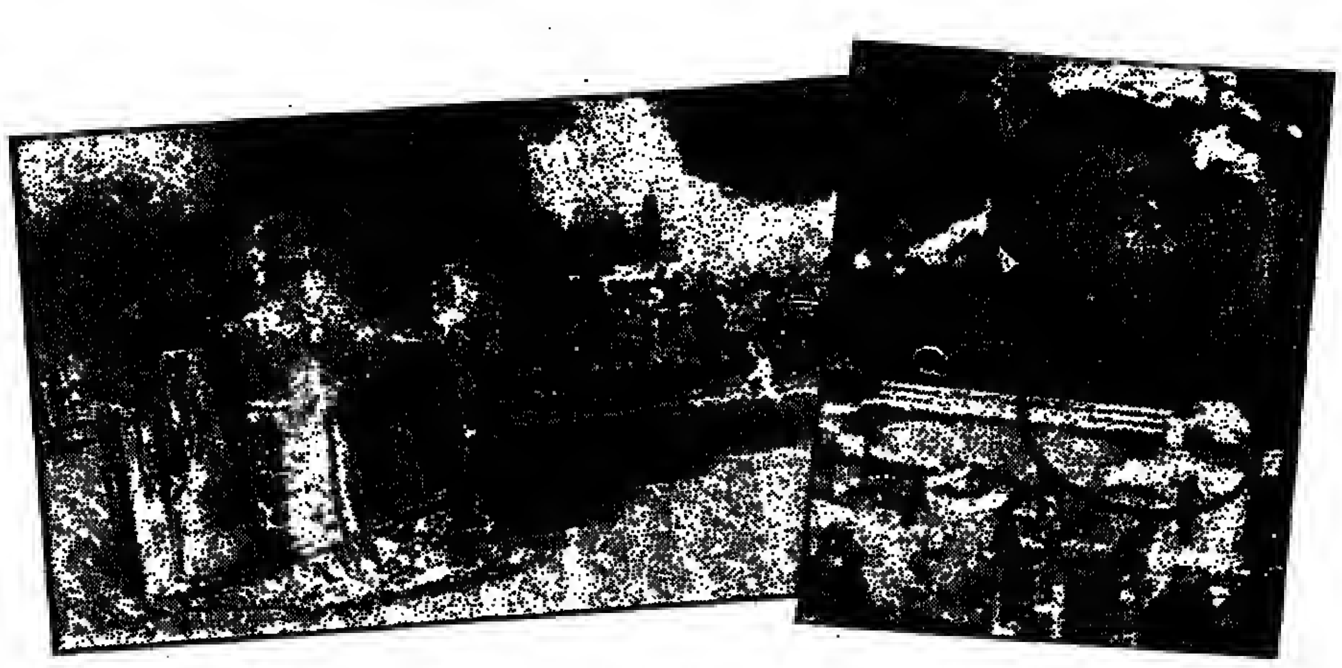
BP, with a £300m stake in the country, said the adoption by foreign governments of sanctions "could well hamper the beneficial influence companies like BP are able to exert directly from inside South Africa."

Swedish businessmen are also sceptical about investment embargoes, such as the one recently announced by France. The Swedish Government passed a law in 1979 obliging companies to seek approval for any new investment in South Africa—in practice, it has only approved applications for investments to maintain operations. The Swedish Industry Federation has complained that these restrictions merely erode the competitiveness of Swedish companies in South Africa and they do not produce any improvement in the living standards of blacks.

Says Mr Bo Eklof, a director of Atlas Copco, the largest foreign supplier of mining equipment to South Africa: "I think there is a danger of exaggerating the impact of economic boycotts. Some 80 per cent of all new investment is generated within South Africa. Even a world-wide boycott would be relatively ineffective economically, although it would, of course, put political and psychological pressure on the regime."

Most European businessmen say they express views to the South African Government only, as Courtaulds put it, on matters "arising in the normal conduct of business." A few say they make their views on apartheid and other political matters known, but mostly through industry associations or chambers of commerce. For example, the Midland Chamber of Industries in Port Elizabeth, of which many European-owned companies are members, supported a document two months ago urging citizenship and full participation in the country's economy and political institutions for all.

Contributions from: David Brown in Stockholm, Jonathan Carr in Frankfurt, William Dullforce in Geneva, Alan Friedman in Milan, David Marsh in Paris, and Andrew Fisher, David Lascelles, Lynton McLain, Christopher Parkes and Ian Rodger in London.



The two faces of South Africa: a recent anti-government demonstration and (right) a black auto worker

Men and Matters

For richer for poorer?

The day before his wedding seems a rum time for a man to turn down $8m, but there was Sir Freddie Laker yesterday telling the world he had rejected the millions offered him as part of last month's settlement to the Laker Airways legal marathon.

Presumably he was too busy with wedding arrangements—Sir Freddie is getting married for the third time today—to attend the legal hearing at the High Court, where the main parties to the Laker settlement were laying the details in front of the Companies Court Registrar for his blessing.

By staying away, though, Sir Freddie lost the chance of making a theatrical appearance without precedent even in his career, which has had its share of entrances and exits.

For Sir Freddie was left with the $8m offer on July 11 in a letter which made it abundantly clear that the money would be on the table—for him to collect at any time until August 20—on one condition only: that he did not institute or involve himself in any way with fresh legal proceedings against British Airways or any of the other co-defendants in the Laker suit.

The Press turned up in droves outside Court 23 under the gloomy basement arches of the High Court, just to see Sir Freddie drive a coach and horses through this condition. It promised to be a simple matter, after all, for the veteran of so many legal wrangles to turn a relatively simple hearing into an entirely new complication for BA.

But Sir Freddie kept well clear. Robert Beckman, his U.S. lawyer, arrived looking as snappy as ever in a double-breasted suit with yellow silk tie and matching handkerchief. Beckman's contribution, of course, could easily have cost Sir Freddie his $8m. But even Beckman, it seems, stepped gingerly once inside the closed courtroom.

Would BA's lawyers deny Sir Freddie his money on the strength of reading a few defiant words in an evening newspaper? Probably not, they thought last night. And that ought to leave Sir Freddie with his options still intact.

In fact, he could spend a fortnight's honeymoon announcing the rejection of the offer and still find it sitting on the table when he gets back.

High minded

The privatisation of British Telecom has had unforeseen consequences for ITN's News At Ten.

The commercial channel's news is having to wipe out BT's familiar Telecom Tower from the opening sequence to the programme because BT has got a mite too commercial.

ITN updates its London skyline introduction every few years. With the scaffolding removed from the refurbished Big Ben, a helicopter was hired at a cost of £8,000 to carry out the new filming.

The pilot was ordered to stay away from the Telecom Tower. Since the last sequence was filmed, BT has put a large advertisement around the top of the tower—much too blatant to appear on the 10 o'clock news.

The new introduction to the boings of Big Ben will appear in a few weeks, without a view of the tower.

"Can't you make it rosier? We don't want to be accused of encouraging the bad weather"

Dutt departs

Few U.S. corporations in recent years have recorded as many managerial changes as Beatrice, the foods conglomerate. Under the stormy leadership of James Dutt, who used to boast that he would turn Beatrice into "the premier worldwide marketer," well over 60 per cent of the top management team he inherited in 1979 has left the company.

At the weekend, it was the turn of the 60-year-old chairman himself to quit the company under similarly abrupt and cloudy circumstances.

The company has not said much about Dutt's departure, but it is being linked on Wall Street with mounting criticism of his uncompromising management style and the recent lacklustre performance of the group.

Dutt has not had a particularly good Press of late. Quite apart from the complaints of former executives about his "autocratic" methods, his $2.7bn acquisition of Esmark, another diversified consumer-oriented group, has attracted little support among financial analysts. The takeover was widely regarded as over-expensive, and the immediate impact has been to heap debt on the company and depress earnings.

It has proved difficult to bring together the decentralised Esmark structure, which includes such powerful subsidiary fiefdoms as the Avis car rental group and the more centralised controls of Beatrice.

Though net profit increased last year, they relied heavily on disposals, and in the three months to May they slipped from $72m to $50m.

The job of tidying up these figures goes initially to William Granger, a 66-year-old former vice-chairman. But he looks so much like a caretaker that analysts are confidently predicting yet another power struggle to decide the longer-term succession.

Old haunt

Desmond Fitzpatrick, a BP man and an amateur City of London historian, was intrigued to notice, on his way to his office, that the ground floor of Basildon House, Moorgate, has been acquired by the Philadelphia Stock Exchange.

The building, he says, is a fine example of Edwardian exuberance, but has a chequered history. From 1902-09 it was the home of the London and Paris Exchange—a body which conducted its operations in such a way that it became known as "the Vampire of Basildon House."

Head of the operation was a certain Alexis Morton Mandeville who, according to reports of his winding-up hearing in 1909, not only dealt in stocks and shares but ran a car mart as well.

Just what Transylvanian activities earned the nickname may now be lost in the mists of time. But Fitzpatrick suggests that before the good folks from Philadelphia settle in, a ceremony of exorcism should be held, complete with wreaths of garlic and sharpened stakes.

Capital letters

My notes about hard-up schoolboys have revived pre-decimalisation memories for one reader.

The shortest telegram appeal for funds he ever saw, read: "SOS, LSD, RSVP."

Observer

Labour's economic strategy

How Mr. Hattersley made the City sit up

By Max Wilkinson, Economics Correspondent

YES, IT is credible, but is it Socialism? That seems to sum up the City of London's view of Mr Roy Hattersley's 18 months of hard work reforging the splinters of his party'e economic strategy.

Fresh light will be shed on Labour's plans this morning with the publication of proposals for a renewed partnership with the trade unions over economic and industrial policies.

This idea has already run into criticism from other political parties over the weekend. Yet one achievement of Labour's deputy leader and a small band of advisers is that City analysts have already started to take a nervous interest in what we have to say, particularly on the control of financial institutions and the repatriation of foreign investment.

The central themes of Labour's new economic policies, which try to strike a chord of realism while taking account of the workings of the financial markets, have been set out in a series of carefully linked speeches which began in May last year.

They have aimed to dismantle some of the brac-a-brac of socialist economic prejudices, with tough words for the far left about the need to respect "the laws of arithmetic." At the same time Mr Hattersley has mounted a sustained and well-argued critique of the Government's medium term financial strategy, concentrating his fire particularly on excessive faith in monetary and borrowing targets.

More recently, be has started to sharpen up some of his own ideas for an alternative strategy. His aim, be said last autumn, was for the City of London—and newspapers like the Financial Times—to take him seriously even if they do not agree with him.

The size of his task in bridging Labour's credibility chasm was measured by Mr Hattersley himself in a post-mortem on Labour'a 1983 election defeat.

He said then: "We made promises that many of our potential supporters believed we could not keep... our vague hopes of achieving growth through spending were barely understood and rarely believed."

In fact, tha problem was rather worse; for in 1982 Labour had candidly set out the consequence of tha huge increase in public spending and 30 per cent depreciation of sterling which it then wanted, in a series of simulations on the Treasury model.

This analysis, by Mr Henry Neuburger, a respected former Treasury official, had shown that the policy would end in disaster, with accelerating inflation and a balance of payments crisis unless wage rises could be held significantly below what free bargaining was likely to produce.

Of course, if wages were restrained, tha expansionary strategy could deliver jobs instead of inflation. Then, the analysis showed, the economy could move into a winning streak in which reduced unemployment, eased the pressure on public borrowing and almost everyone was better off.

There is little doubt that this seductive vision could become a reality if, but only if, a future Labour Government could achieve a lasting gain on the wages front.

The dilemma remains at the heart of its economic policy discussions, as indeed the relationship between pay and jobs has dominated much of the Conservative Government's recent thinking.

For Mr Hattersley, the problem has been to work out a strategy for reflating the economy which will look sensible to the City, even if he does not get much co-operation from the unions.

His starting point, therefore, has been to recognise that any hint of inflationary finance could quickly plunga a new Labour Government into a sterling crisis. This lesson was rammed home in January when a plunging pound forced even a Conservative Chancellor to abandon his mild easing of policy.

Mr Hattersley, therefore, has been careful to distance himself from many—including respected figures—in the Labour Party who still believe a depreciation of sterling would be the salvation of manufacturing industry.

But, in tha absence of a pay policy, it *is* fairly obvious that a Labour Government would have relatively littla room to expand employment. Therefore the battle continues to persuade the trada union movement to accept the need for wage restraint—so far with rather discouraging results.

Mr Hattersley banged this drum courageously at last autumn'a Labour Party conference in Blackpool. But his reception was tepid, and afterwards, Mr David Basnett, chairman of the TUC's Economic Committee, said: "He says there has got to be restraint on wages. I thought we had passed the stage where that was the keystone of policy."

Mr Basnett argues: "We must not be over-inhibited by inflationary risks, because the big risk to our society is long-term unemployment."

Tha real question for the trade unions is still the extent to which a future Labour Government would edmit them into the inner circle of policy-making in exchange for their co-operation. As Mr Basnett puts it: "If we are going to talk about everything in the economy, then wages are part of everything."

Labour is likely to end up by modifying Reaganomics

The Labour leadership's strongest card with tha unions—just possibly an ace—is that tha speed of fiscal expansion must be directly related to the success of wage restraint. It remains to be seen whether this moral pressure can be effective, but, it may be that the climate of opinion has change—partly because of the weakness of trade unions and partly because of the present Government's efforts to show tha link between pay restraint and jobs.

In any case, the fiscal policy stance would be loosened, although Mr Hattersley has been at pains to avoid offering many figures. The rich, defined es those earning more than £20,000 a year would be taxed more, while lower income groups would benefit.

Just bow much tha level of borrowing would be increased is still unclear, although Mr Hattersley recently produced a polished treatise on this subject with the help of his advisers including Devid Curry, Professor Maurice Peston at Queen Mary College, London and half e dozen sympathetic economists from the City and universities.

The speech on borrowing, perhaps the most important so far, discussed a large range of edjustments to the femiliar Public Sector Borrowing Requirement which might be used to justify an increased deficit.

For example, if the effect of inflation is taken into eccount the real value of the national debt is seen to hava been reduced over the last two decades; so that in real terms borrowing figures may be less burdensome than appears at first sight.

Similarly, a rising national debt may appear less alarming if expressed as a proportion of national output which is also rising.

But in the end, Mr Hattersley concedes that borrowing would have to be expressed in cash terms, with a target which would maintain international confidence.

Moreover, he is anxious not to burden future taxpayers with excessive debt interest payments. He has even accused the present Government of profligacy for using asset sales to make its fiscal policy seem tighter than it really is.

Similarly, although be has denounced the "absurd way" in which tha Government's financial targets are set, he says that no-one doubts the need for monetary, fiscal and exchange rate targets of some sort.

Comments Mr Paul Neild, chief economist for the broker Phillips and Drew: "There is very little new in all this. It is very much like the policy which was being followed back in the 1970s."

The Labour front bench tacitly acknowledges the point; Mr Tony Blair, the 32-year-old Oxford educated barrister whom Mr Hattersley has co-opted into his team, emphasised the more socialist flavour of the micro-economic proposals.

Certainly, the City has been concerned about the plans for repatriating foreign investment and siphoning the cash into a new National Investmant Bank intended to revitalise British industry.

One of the favourite gripes of Labour polemicists is that huge amounts of British capital fled overseas after the abolition of exchange controls in 1979. This money, it is said, helped foreigners to build factories which will push British goods out of the shops.

There is at least some truth in this: in the five years up to 1984. Nearly £30bn of UK portfolio investment was directed abroad. Whether this made much difference to British industry is more debatable. Some studies suggest that tha two effects—lowering the exchange rate, but pushing up UK interest rates — roughly cancelled each other out.

The plan is to threaten pension funds with loss of their tax privileges unless they agree to reduce foreign investments from the present figure of around 15 per cent to perhaps 5 per cent of portfolios. Most City analysts concede that this would be much more workable than a general return to exchange controls. However, many believe the process could be quite slow.

Most of the proceeds would go into the National Investment Bank, which is supposed to operate independently from Whitehall even though it would be directly subsidised and would charge lower than market rates of interest. But since the NIB would need time to find worthy projects, its impact on the British economy would also be slow.

The NIB is not intended as an instrument for wholesale renationalisation, which in any case is a delicate topic with Mr Hattersley. He has made it clear that "social ownership" can take many forms and he seems much more enthusiastic about industrial democracy and worker shareholders than old-fashioned socialist ideas on the subject.

Overall, it seems likely thet Labour will end up with a modified brand of Reaganomics, with increased public investment the priority rather than tax cuts and a fairly firm monetary and exchange rate policy to hold inflation in check.

Professor Alan Budd, director of the London Business School's Centre for Economic Forecasting said in a recent article that this policy mix had obvious electoral attractions in the short term.

But sooner or later, he believed, domestic and foreign borrowing would become unsustainable, so the policy would have to go into reverse, with perhaps a sharp fall in the exchange rate and a rise in inflation.

Meanwhile, Mr Roger Nightingale, chief economist for Hoare Govett, the brother, says: "The City is certainly taking Mr Hattersley more seriously, because it believes he has more clout generally." However, it does not like much of what be says and still fears a takeovar by the Far Left.

The key question for many voters will almost certainly be whether Mr Hattersley can deliver some form of incomes policy.

Professor Richard Layard, of the London School of Economics and Professor Steve Nickell of Oxford University said recently, after an extensive study on British unemployment: "It is clear from our analysis that the process of real wage determination is the key to understanding the long-run movements in unemployment."

Mrs Thatcher agrees with that, Dr David Owen believes it, and with Mr Hattersley at the belm, the Labour Party may be slowly edging towards the same conclusion.

Lombard

E. T.—you brute

By David Buchan

NOTHING GETS British politicians and businessmen, of all party persuasions, hotter under the collar with the U.S. than something they increasingly refer to as E.T. This, of course, is not the cuddly film creation from outer space, but the all too terrestial doctrine, extra-territoriality, by which the U.S. asserts the legal right to control the destination of U.S.-made goods or goods with U.S. components or design beyond American shores.

Two interreleted events have brought E.T. to the fore again. One is last year's agreement by Nato countries and Japan to update the list of militarily sensitive technology they seek to withhold from communist countries; the U.K. Government translated this multilateral agreement into its national legislation by bringing in a new export control order late last mouth. The second is the new export administration act that the U.S. Congress passed in June.

Even those who, like Mr Paddy Ashdown, the Liberal MP, most vociferously opposed the new control order as further tightening the noose on British high-tech exports, said that implementing the CoCom agreement would be worthwhile, if it acted "as a barrier to U.S. unilateral action which damages British industry and infringes our sovereignty." But he, and everyone else, knew it would not ect as such a barrier.

Indeed the new U.S. export act contains new risks of E.T. raising its head. It gives a President the authority to block imports into the U.S. by any party deemed to violate U.S. natonal controls, or, under certain conditions, UK controls that implement the CoCom embargo. These conditions are that, first, the U.S. must consult the U.K. government and act only with the concurrence of e majority of the 15 CoCom member countries. The EEC has protested at this feature several times during the two-year passage of the U.S. export Act.

But before beating one's bead against an object, it is as well to ascertain that it is not a brick wall. For E.T. is deeply ingrained into American legal theory and practice. In general terms, the long-held view of successive U.S. Administrations is that they are free to exercise their jurisdiction abroad unless there is some accepted customary restriction or specific treaty limiting it.

They define this jurisdiction as encompassing U.S. citizens or goods—the U.S. is one of the very few countries that taxes its citizenry wherever they are—and, in the case of anti-trust law, even encompassing economic activity by foreign companies outside the U.S., if it affects trade competition in the U.S. That is the theory. As for the practice, it is the size of the U.S. economy, its leadership in technology, and the characteristic vigour with which laws are enforced in that litigious society that can make American assertion of E.T. such a pain in the neck for foreigners.

No ally seems to feel the pain more than Britain. Indeed, the two countries, which are supposed to have a special relation, have a specially bad relationship on E.T.

Maybe, in an ideal world, Britain is right—a country's jurisdiction should stop dead at its shores. But, in the unideal world in which we live, there is e case, at least for U.S. non-lawyers, for pushing aside the legal arguments over sovereignty.

But if Britain is to shelve, if not cede, an ultimately fruitless argument about the theoretical wrongs of E.T., then tha U.S. must do its bit towards a better working reletionship on export controls. It must ensure thet regular bona fida UK buyers of U.S. technology get what licences they need and in the time they need them. It must leave the policing of UK controls to the British. And it must certainly leave in disuse the provision in the new U.S. Act that penalises companies for breaking UK controls. This provision was once described by a senior Reagan administration official as "a club in the closet" to get U.S. allies to conform to CoCom rules. The club should stay in the closet.

If it does not, the UK will find it intolerable to have Washington enforcing UK laws for it. The British will then reach for *their* club, the 1979 Protection of Trading Interests Act, specifically designed, if need be, to bop E.T. on the head. And all this could happen at a time when, in the Star Wars research programme, the two governments intend their technology co-operation to be closer than ever.

Letters to the Editor

Inequitable allocation

From Mr P. Killik

Sir,—We are strong supporters of the Government's privatisation programme, but express considerable disappointment over the inequitable way in which the shares have been allocated in some of the issues.

Britoil is the latest example of how existing private investors are being excluded from these issues. Of the 243m shares being offered for sale, 40.1 per cent has been pre-placed with the institutional clients of tha three lead brokers; 21.2 per cent is being offered by way of rights to existing bolders (most of them institutions); 19.8 per cent is being offered to European and Canadian investors and 6.2 per cent have been made available to Britoil employees. This leaves only 12.7 per cent of tha entire issue available to the public at large. Thus, although the issue is called an Offer for Sale, only a fraction of the issue is actually being offered for sale.

The argument that this is a large issue which requires to be pre-placed holds no water. The market has recently shown that it can cope with similar sized issues, such as Hanson Trust and Abbey Life, both made in the conventional manner.

We would imagine that we are not the only brokers believing that clients deserve better treatment. They will be competing for only 30m shares with institutional investors who are not clients of the lead brokers, both from this country and abroad, as well as the stags. This means that our long term investor will probably be lucky if he is allocated an investment with a fully paid value of one-tenth of his application. The same happened with British Telecom, and with British Aerospace.

The Government is pledged to wider share ownership — this is not the way to achieve it.

P. G. Killik.
Quilter Goodison & Co.,
31-45, Gresham Street, EC2.

Good sense on housing

From Mr W. Dingley.

Sir,—One wonders, on reading your leading editorial, (July 26) whether the writer is fully aware of the roots from which the National Federation of Housing Association stemmed, and the method by which it is funded. Also, even more importantly, does he know how many housing associations are edministered?

Even more odd are your comments on fair rents, for anyone who is aware of the property market knows that, whatver fair reuts are, they are not fair to the landlords. (Neither, with the greatest respect to that body of officers, are rent officers the proper group to decide what these new, liberated rents should be, especially when one reads, in the same edition, that the report rejects any abolition of controlled rents.)

Your editorial also does not give any indication of where all this money is to come from; it would seem that it can only come either from central or local government sources, that is rates and taxes.

In showing that a genuinely radical and market oriented economic strategy can be put together, it is a great pity that your editorial does not give evidence of the economic strategy upon which the report is based.

W. Noel Dingley,
Sinclair Goldsmith Dingley,
20, Copthall Avenue, E.C.2.

Unitary tax state

From Mr F. Hayes

Sir,—Section 54 of the newly enacted Finance Act 1985 seeks to deny the benefit of a tax credit under the appropriate double taxation treaty to any group whose operations in a state or states which levies unitary taxation is 7½ per cent or more of their total United States operations.

The sponsors of this change to the Finance Act bave achieved a situation where if, for instance, a French or a Swiss multinational group is unfortunate enough to have 7½ per cent of its United States operations within a unitary state (referred to as "California") then it may also be denied the benefit of the treaty between the United Kingdom and France or Switzerland as the case may be.

In other words we are saying to our foreign investors who are domiciled outside unitary states "If California imposes unitary tax upon you you may also be heavily penalised by the British Government." What is more the penalty will be retrospectively imposed.

For a group based in the EEC to be penalised because it has invested both in California and in the United Kingdom may give rise to claims against the Government under the Treaty of Rome. A company based outside both California and the EEC may have no such recourse but why it should be penalised in any case is beyond me.

For those Californian investors against whom the provision is aimed, one must assume that the Government has considered dicta such as in Ostime v Australian Mutual Provident Society (House of Lords, 1959 TC 38): "The interpretation which your lordships put upou this Doubla Taxation Agreement is of more than usual consequeuce because, if a mistake should ba made it may be well nigh impossible to put it right. For your lordships' interpretation will govern this country without any likelihood of changa by Parliament. At any rate, Parliament itself cannot alter the wording of this Double Taxation Agreement without the consent of both parties to it."

There are admittedly other decisions which suggest that though a provision of United Kingdom law may be clearly contrary to our international obligations there is no recourse for an individual taxpayer in the United Kingdom courts. Even so, for Ministers to urge tha merits of rewriting a donble taxation treaty without negotiations ignores the fact that the value of our treaty network to British investors lies in the assurance that treaties are not so rewritten without mutual consent. This "bash California" amendment to tha Finance Bill is a blunt instrument which may well do us more barm than good wbethar or not California is likely to be impressed. I would bope the Chancellor thinks twice before activating it.

F. B. Hayes,
Coopers & Lybrand,
Abacus House,
Gutter Lane, EC2.

No accounting for a loss

From Dr R. Hudson

Sir,—In view of the controversies over the National Coal Board's accounting procedures, I. was extremely interested in the comments in Lex (July 30): phrases such as "in order to arrive at a pre-tax loss of £2.2bn, the NCB makes charges and provisions against everything in sight... the NCB makes no extraordinary charges whatever in a year which was, if nothing extraordinary. The NCB's actual loss for the year is a matter for conjecture. But it is most certainly not £2.2bn."

This is a truly extraordinary state of affairs, particularly at a time when the NCB is engaged in e campaign to close collieries which it asserts to be unprofitable. For the clear implication of the Lex conclusion must be that the NCB, even within tha limits of its own dubious accounting procedures, is unable to say which collieries are "profitable," which are "loss-making."

When one remembers that tha NCB's accounts refer only to its private costs and ignore such things as the massive extra costs to public expenditure that accompanies colliery closures, the costs of irrevocably sterilising a finite fuel resource and the social costs to communities that have developed around coal mining once a colliery closes, there seems a prima facie case for a moratorium on all pit closures until an appropriate accounting system is produced which allows more sensible decisions to be taken concerning investment in and disinvestment from individual collieries and the nationalised coal industry in general.

One cannot avoid the conclusion that the NCB's accountancy practices to which Lex refers were politically motivated with a view to running down nationalised coal production and employment as quickly as possible rather than having any concern with the sensible stewardship of scarce national resources.

(Dr) R. Hudson,
University of Durham.
Science Laboratories,
South Road, Durham.

Tax free perks

From Mr E. Gillett

Sir,—It is interesting to note that postmen can now receive their Christmas tips with a free conscience.

No one is going to begrudge the postman his hard earned Christmas recognition. This does however highlight the inconsistent approach adopted by the Revenue. Business car users have for some time been taxed on the benefit in kind of the car they use. While some of these cars are no doubt executive perks, most are used by sales representatives and service engineers, for whom they are tools of the job in the same way as a typewriter for the secretary and a tractor for the farmer.

If these same people — or their nearest relatives — were employed by one of the major airlines, including British Airways, they would qualify for cheap travel anywhere in the world: £40 to the west coast of America is, by any standards, a very worthwhile perk. It is interesting to reflect on why the Revenue has not brought this into the tax net. Is it just possible that those employees who enjoy this facility, and others in the way of free coal and free rail travel, wield sufficient power to make the euthorities opt out of taking action? Justice demands consistency of treatment.

E. R. Gillett.
Myrtle Cottage,
Crow, Ringwood, Hants

FINANCIAL TIMES

Tuesday August 6 1985

Duncan Campbell-Smith hears the arguments for a Cinderella project suspended by plastic cables

Channel link could be a bridge too far

BRUNEL, doyen of great Victorian engineers, would not have been amused.

The room which bears his name at the Institution of Civil Engineers in London was the scene last week of a singular construction failure. Work on a giant suspension bridge had to be put hastily into reverse in the face of an impending collapse.

The bridge was eventually demolished altogether, with just minutes remaining of its allotted building schedule. Three young men pocketed their pliers, pulled apart the 35-ft demonstration model and glumly cleared its offending components from the room.

Moments later, it was time to begin a press reception announcing details of the real thing – a larger-than-life suspension bridge designed, according to the organisers of the meeting, to span the width of the Channel between England and France.

This is the vision long cherished – and financed at considerable personal expense – by the gentlemen of the Eurobridge Studies Group. They have worked on it for seven years; it would comprise seven 5-km spans running between huge towers across the sea. Alas, only seven journalists turned up to learn more about it.

The learning process got off to a shaky start. And reactions to what followed appear to have left Eurobridge almost as much of an enigma now as it was before: an unpredictable factor, to say the least, in the deadly serious battle for the mandate to build a fixed link from Britain to continental Europe.

Last week's presentation of its futuristic scheme was launched by one whose ancestors crossed the Channel in a Norman long boat: John Clotworthy Talbot Foster Whyte-Melville Skeffington, Viscount Massereene & Ferrard.

A summer cold constrained him unhappily to a brief address scarcely longer than his name. But he hastened to make amends for the absence of his group's chief financial adviser, Lord Catto, by reading an encouraging paragraph or two from a letter written by his lordship in 1980.

More rumbustious support was at hand in the ample personage of Mr John Lowe, a huge man as much given to colourful expressions ("I am your slave, sir") and long, knowing looks as any actor-manager of the Edwardian theatre.

Mr Lowe has been the moving force behind Eurobridge for years and defends it with a passion. Abrupt questions from the floor drew him indignantly into more than one booming exposition of the superior virtues of a bridge over any mere Channel tunnel.

The odd thing, as some believe, is that he just could be right.

How else to explain the presence in the Brunel Room of the chairman of Brown & Root and of John Laing, two of Britain's biggest construction groups? Both have since reaffirmed their belief in the Eurobridge solution.

"It is a runner," Mr John Collins of Brown & Root said at the weekend. "We have had a hand in designing and building most of the big oil platforms in the North Sea. We're involved with Eurobridge because we feel we can lend a lot of technical competence. It is a serious contender."

The Laing Group, for its part, knows a thing or two about operating as well as building motorways: it runs two in Spain. Mr Martin Laing, its chairman, says Eurobridge's proposed 12-lane motorway over the Channel "is simply the only way we can see of producing the necessary revenues" for any fixed link project to survive as a genuinely private-sector endeavour.

British financial institutions have yet to endorse this conviction. Privately circulated Eurobridge papers ("c.c. H.R.H. Prince Alexander of Jugo-Slavia") boast the support of some top names from a range of august firms. But it is not always clear from the papers whether the support of the individuals will draw upon the institutional muscle behind them.

And there are novel, technical features on which financiers may yet need reassurance. Eurobridge has made available several detailed studies, including "Notes to serve as Prolegomena to a Colloquium on the use of Parafil in Major Bridges." But there is still likely to be surprise in some quarters that the suspension cables for the proposed bridge would be made of plastic.

"Messrs ICI Fibres," as Eurobridge describes the British chemicals giant with a flourish, would not share the surprise. "Whatever we have been asked to provide, we have provided," ICI said on Friday. "We certainly regard all their inquiries as a serious matter and a potential business opportunity which we will look at very carefully."

And has not Mitsubishi Gas Chemical just announced the launch of a plastic nail?

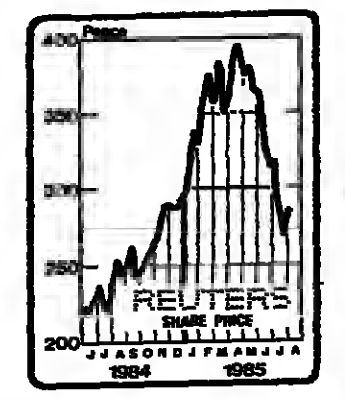
Eurobridge bears no comparison in terms of public relations or banking connections with either Channel Tunnel or Euroroute, the Anglo-French consortia which remain the two chief contenders for the fixed-link contract. But Mr Lowe clearly sees them as Two Ugly Sisters to his Cinderella – dressed to kill, perhaps, but deficient in one vital respect for that day when the UK Government sits down with all the bidders, to match each design against the private-sector shoe which it must wear.

It would be a fairy tale indeed to find contenders manicured for months by UK institutions being swept aside at the end in favour of a ragged Cinderella project that just happened to fit – but Eurobridge is convinced it could happen.

THE LEX COLUMN

Screen test for Reuters

There is nothing a newsagency hates more than what it sees as unfair news, and yesterday's interim statement gave Reuters just the opportunity it needed to counter gloomy reports circulated by the less objective media. A hot and bothered statement by Quotron and Exco's unexpected sale of its Telerate interest have left the impression over the past month that business information is becoming a sticky industry in which to make good profits. Reuters has replied with a 44 per cent increase in pre-tax profits – to £43.3m – and a return on sales of just over 20 per cent.



Reuters also affirmed thet its policy of foreign exchange cover leaves it with little net exposure to currency movements and that the negotiations to buy UPI had become bogged down simply because of the latter's failure to provide the necessary information. The defensive tone of the Reuters statement was not entirely surprising. Profits are well up to expectations – the group should make a little over £100m pre-tax for the year – but the share price has easily underperformed even a sagging stock market. At last night's price of 285p, it represents less than 20 times this year's likely earnings.

The market may be concerned about a slowdown in Reuters' growth – the interim figures do look slightly less impressive if the contribution from the Rich acquisition is stripped out – but more probably it is just anticipating an unwelcome increase in the share float. The equity is now very tightly held but, as of January, the newspaper proprietors will be able to sell more shares. And no doubt they will.

British Airways

Underneath the blanketing fog of legal detail, British Airways' departure for the London Stock Exchange floor could yet be grounded by one specific technical difficulty: how to disperse the contingent liability thrown up by its relations with Sir Freddie Laker and Tiny Rowland. For it has generally been assumed that privatisation flight plans stipulate there shall be no sale unless all litigation can be cleared out of the way.

It is, indeed, doubtful whether the British financial institutions can be sold a prospectus where Lonrho appears in the small print as a multi-million dollar litigant. But although yesterday's court hearing may not have removed that distressing possibility for certain – nobody knows – it does now seem on the cards that Sir Freddie may personally be prepared to settle for a quiet life.

The major investment in buying off Laker creditors (and Laker) could thus prove well worth British Airways' while, particularly if Lonrho also decides to withdraw its claims. But that caveat leaves it quite unclear what the timetable for a BA issue might now be. It is conceivable that the advisers to company and Government will grit their teeth and decide that the issue is to go through at full speed whether or not Lonrho is still litigating; the liability may be large, but it is thoroughly contingent. Prospective underwriters, of course, would prefer certainty – but where Lonrho is concerned that may be asking too much.

Glynwed

While most engineering companies in Britain's West Midlands area are grumbling about the strength of sterling and the damage being inflicted by usurious interest rates, Glynwed is quietly getting on with making money. Having produced a 31 per cent increase to £16.1m in interim pre-tax profits yesterday, it is confident enough to predict an even better second half.

The performance of Glynwed's shares, however, is rather mysterious. Although profits doubled between 1982 and 1984, and look set to put on another 30 per cent or so this year, the shares now stand on a prospective p/e of a little over 7. Even though the company's policy is to increase dividends more or less in line with profits, the shares are yielding a prospective 8 per cent.

It is not as if there are any obvious skeletons lurking behind cupboard doors. Glynwed showed immaculate timing in selling most of its South African business at the end of last year. And when divisions have moved into loss – such as the UK bathmaker and the French operations this year – the company is quick to respond with closure or restructuring. Financially, things are much improved, with gearing down from over half to under 30 per cent and strongly positive cash flow. The last rights issue was nearly 10 years ago.

The market must be worried about growth prospects after all the efficiency gains have been squeezed out. To some extent, it is right to doubt, since many of Glynwed's markets are mature or near the peak of their cycle. What the company really needs is a solid acquisition, but while the market is so grudging in its appreciation, it will find that hard to finance. Yesterday, the shares put on 4p to close at 192p, a price at which it would be hard to issue paper for a takeover without earnings dilution.

Burton/Debenhams

Burton's narrow victory over Debenhams leaves a number of tricky problems on the table, not all of them to do with Professor Smith and the blocking possibilities of a Fraser minority. Clearly, Burton would like to be free of a large and potentially irritating fellow shareholder; its strategy for Debenhams will require an untrammelled hand with the assets and no interference with trading policy. Luckily for Burton, it appears that the Professor may have been mellowing over the weekend; throw him Harvey Nichols, or perhaps Hamleys, and he may even cash in his winnings for Burton paper.

If opponents may have to be placated, the same could be even more true of Burton's late-won friends. It cannot really be convenient for Burton and Habitat Mothercare to have a third party as closely tied up in Debenhams as Harris Queensway is, with its furniture and electricals concessions. It will be intriguing to see whether the last-minute Harris vote for Burton was more interested in securing that concession, or at raising the price Burton would be willing to pay for its amicable liquidation.

Ugandan rebels ask for share of power

By Mary Anne Fitzgerald in Kampala

EFFORTS TO form a caretaker coalition Government in Uganda suffered a serious setback last night when the leader of the main guerrilla group in the country, Mr Yoweri Museveni of the National Resistance Army, made what was seen as an impossible demand to be granted half of the seats on the already-formed military council.

Mr Museveni set out his terms for co-operating with the new Government of Lt-Gen Tito Okello, which took power in a July 27 coup, in a telephone call to the BBC in London.

He indicated he was prepared to agree to a meeting with Lt-Gen Okello, who proposed late on Sunday that he would hold talks with Mr Museveni and other rebel groups next Monday. The involvement of the NRA in the new government is considered crucial

However observers said there was little possibility that Lt-Gen Okello would agree to replace half of the existing council with NRA appointees.

Meanwhile attempts by Prime Minister Paolo Muwanga to enlist broad-based support for his proposed civilian cabinet continued to be difficult, although the appointment of the first two ministers in the cabinet was announced yesterday.

Following several days of intensive discussions between Mr Muwanga and the country's four main political parties, Mr Paul Ssemogerere was appointed Interior Minister. He is the leader of the most important opposition party, the Democratic Party (DP).

At the time of the coup against former President Milton Obote Mr Ssemogerere was on bail on sedition charges.

The second ministerial appointment made yesterday was Defence, which went to Col Wilson Toko, who is also vice-chairman of the ruling Military Council and managing director of Uganda Airways. His wife, an Acholi, is of the same tribe as Lt Gen Okello.

The appointments narrow opportunities for participation in the Government by the National Resistance Army, many of whose members formerly belonged to the Democratic Party.

They fled to the bush and took up arms after widespread allegations that the 1980 elections engineered by Mr Muwanga were rigged.

It is feared that the role played by Mr Muwanga in bringing Dr Milton Obote back to power in 1980 may prevent him from achieving reconciliation.

Italian first-half public sector deficit reaches 'alarming' level

BY ALAN FRIEDMAN IN MILAN

ITALY'S public-sector budget deficit reached a total of L54,328bn ($28.7bn) in the first six months of this year, a level described yesterday by an official of the Italian Treasury Ministry as "alarming."

Rome is now looking to the presentation of the new budget in September and accompanying financial legislation to make fresh cuts in spending.

Even so, it might be difficult to keep the full-year 1985 deficit to its originally planned L100,000bn. That level would present 13.5 per cent of Italy's gross domestic product.

On July 20, as the lira was being devalued in the European Monetary System (EMS), the Craxi Government announced fiscal measures designed to reduce the 1985 deficit by L6,000bn. But that would still only bring the total down from an expected L111,000bn, which now seems likely, to L105,000bn.

In Rome, a government official yesterday said three things would have to be done if the deficit were to be brought back to its earlier L100,000bn target:

- The L6,000bn of measures approved last month would have to be approved by parliament and implemented;
- An additional package of L2,000bn to L3,000bn of measures would have to be prepared in September;
- The country's financially stricken state pension scheme would have to reduce its deficit.

In 1984, the Government managed for the first time for many years to keep the public-sector deficit within target range. That was only a "relative" achievement, a Treasury official acknowledged yesterday, considering the huge and damaging level of the deficit at L96,000bn.

- Sig Giovanni Goria, the Treasury Minister, is expected shortly to present a definitive report to Sig Bettino Craxi, the Prime Minister, about the events of July 19, the so-called "black Friday," which saw the lira drop by 20 per cent against the dollar.

The Goria report, it has been learned, will "name people by surname and position" in seeking to explain why the Bank of Italy declined to intervene in the foreign exchange market even as the ENI, the state energy group, was disobeying its advice and purchasing $125m, thus setting off the crisis.

The report will come less than a week after Sig Craxi touched off a political controversy by criticising the Bank of Italy during a speech in the Senate. His public criticism, seen by Christian Democrats and other government coalition partners as an attack on the central bank, led Sig Goria and Sig Carlo Ciampi, the bank's governor, to offer their resignations. Those were later withdrawn after Sig Craxi expressed his confidence in both men.

Despite the closing of the affair with parliamentary votes of confidence at the end of last week, Rome remains troubled by acrimony inside the Government.

Laker fails to block airlines' settlement

By Duncan Campbell-Smith in London

THE BRITISH High Court yesterday approved the out-of-court settlement of the Laker Airways legal battle which was reached in Washington last month.

The private hearing lasted nearly four hours after a long series of objections from lawyers representing Sir Freddie Laker and his former wife Mrs Joan Laker – and could lead to a further appeal.

Approval was needed from the High Court to allow the implementation of the settlement in the UK. It will provide for a payment of $48m to Mr Christopher Morris, the Laker Airways liquidator, who had earlier been seeking anti-trust damages of $1.1bn on behalf of Laker's creditors.

British Airways and the 11 co-defendants cited by Mr Morris in his suit have also offered to pay $8m to Sir Freddie personally and $50,000 to his former wife. Much of yesterday's hearing seems to have been taken up with the arguments of their counsel that the two payments were inadequate.

Sir Freddie has until August 20 to accept the $8m, but was warned by BA's lawyers on July 11 that the money would be instantly withdrawn if he became involved in fresh legal moves against any of the co-defendants.

It did not appear last night that the stance taken by Sir Freddie's counsel had necessarily triggered the cancellation of the offer. Sir Freddie himself did not appear in court.

But it was not clear how all the co-defendants together might react to the full transcript of the closed hearing – and Sir Freddie was reported elsewhere to have said he was rejecting the offer anyway.

This would in theory leave him free to pursue new litigation against BA and some of the other co-defendants on grounds similar to those argued by Mr Morris.

Mr Robert Beckman, U.S. counsel to Mr Morris, is known to have been upset by the terms of the settlement struck in Washington, even though it provided $12.5m in contingency fees for himself and the other lawyers involved on the plaintiff's side.

Mr Beckman is also understood to have had discussions with Lonrho, the international trading group which has threatened to launch an anti-trust action of its own in the U.S. on behalf of two joint ventures set up with Sir Freddie in 1982. Mr Beckman was last night due to be dining privately with Mr Tiny Rowland, Lonrho's chief executive, at his home in the country.

British Airways was represented in the hearing by Mr John Griffiths QC, author of last year's Department of Trade Inquiry into the shareholdings held by Lonrho and others in the House of Fraser stories group. Neither the airline nor its advisers would comment last night on the result of the hearing, which could now be the subject of appeal.

Similar approval for the Washington settlement must also be obtained in the Channel Islands, where Laker Airways was registered. A hearing has been fixed in the Jersey Court for August 19 – one day earlier than deadline for Sir Freddie to accept the $8m offer.

British Airways orders Boeing 757s, Page 5; See Lex

Hopes held out for N-test halt

Continued from Page 1

there would be no need for further tests, he said.

On South Africa, Mr Reagan strongly defended the achievement of his "constructive engagement" policy, designed to bring about change by quiet diplomacy, and repeated his objections to economic sanctions. He would not say whether he would vote the sanctions legislation that has been nearly completed in Congress and is expected to arrive on his desk next month.

Mr Reagan said that American influence, and the presence of American companies, in South Africa had led to considerable advances in areas such as black education and housing, the development of trade unions, the end to the ban on mixed-race marriages and the gradual dismantling of apartheid in public places such as restaurants and hotels and sports.

The state of emergency declared last month was in reaction to violence that had been "hurtful to all the people," he said. He pointed out that the violence had been between blacks as well as the result of "law enforcement against riotous behaviour."

On the home front, Mr Reagan said that after Labour Day – at the beginning of September – he would "pull out all the stops" to win victory for his tax reform proposals, which were the highest, most pressing priority for the nation.

His autumn "offensive" would also include renewed efforts to persuade Congress to pass a constitutional amendment requiring a balanced federal budget and to give the President the right to veto individual budget items, the so-called "line item veto."

President Reagan described 1985 as a year of progress for the economy, with interest rates still coming down and inflation still under 4 per cent. There was a clear road ahead to a strong jobs market, with no tax increases on the horizon and no dark clouds of inflation, he said.

Belgians approve Sky Channel

FRENCH-SPEAKING areas of Belgium will be allowed to receive Sky Channel, Mr Rupert Murdoch's British-based general entertainment cable television service, writes **Raymond Snoddy in London.**

The agreement by Mr Philippe Moreaux, Minister President, covers French-speaking areas apart from Brussels and will enable Sky to be delivered to more than 1m of Belgium's 2.8m cabled homes.

Talks are continuing with Belgian post and telecommunication authorities and with cable operators.

Sky's programmes, at present available to 3.7m cable television subscribers in 12 European countries, should start to be seen in Belgium for the first time later this month.

Belgium is the most heavily cabled country in Europe, and reaching the Belgian audience is important for Sky which is paid for by advertising.

Sky hopes that the breakthrough in the French-speaking areas will eventually lead to similiar acceptance in Brussels and the Flemish-speaking areas.

Sky plans to increase its weekly programming in September from 81 hours to 115½ hours.

VW-Audi tops car sales

Continued from Page 1

Daimler-Benz, the Mercedes company, nearly matched VW-Audi's penetration gain in the first half. New products again were responsible – the "small" Mercedes 190 model and the range of mid-sized models currently being phased in.

The progress of VW-Audi and Mercedes is even more notable because their domestic market was very depressed in the first half as a result of the uncertainties surrounding the West German Government's car pollution control proposals.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	29	84	Malaga	S	28	82	Salzburg	S	29	84
Algarve	S	30	86	Faro	S	32	90	Malta	F	30	86	Seoul	C	26	79
Algiers	S	40	104	Florence	S	30	86	Manila	S	31	88	Singapore	R	29	84
Amsterdam	F	17	63	Frankfurt	C	24	75	Miami	R	30	86	Stockholm	S	18	64
Athens	S	31	88	Funchal	F	24	75	Milan	S	27	81	Strasbourg	F	26	79
Bahrain	C	39	102	Geneva	C	27	81	Moscow	F	22	72	Sydney	S	15	59
Bangkok	S	33	91	Gibraltar	S	30	86	Munich	S	27	81	Taipei	S	34	93
Barcelona	S	27	81	Guernsey	C	15	59	Nairobi	C	23	73	Tangier	S	26	79
Beirut	S	31	88	Helsinki	T	17	63	Naples	S	30	86	Tehran	—	—	—
Belgrade	S	27	81	H. Kong	S	32	90	New Delhi	S	28	82	Tel Aviv	S	30	86
Berlin	C	22	72	Innsbruck	S	28	82	New York	S	29	84	Tenerife	—	—	—
Biarritz	D	19	66	Inverness	C	13	55	Nice	C	26	79	Tokyo	S	32	90
Blackpool	F	16	61	Istanbul	F	25	77	Oporto	S	29	86	Toronto	S	28	82
Bordeaux	F	16	88	Jersey	C	15	59	Oslo	S	16	61	Tunis	S	32	90
Brussels	C	19	66	Jo'burg	S	21	70	Paris	C	19	66	Valencia	S	29	84
Budapest	S	26	79	Las Palmas	S	25	77	Prague	S	27	81	Venice	S	27	81
B. Aires	S	34	93	Lima	C	17	63	Reykjavik	S	15	59	Vienna	S	28	82
Cairo	S	34	93	Lisbon	C	23	73	Rio de J'o	—	—	—	Warsaw	S	22	72
Cape Town	S	15	59	Locarno	C	24	75	Rome	S	29	84	Zurich	S	29	84
Caracas	C	26	79	London	C	16	61								
Casablanca	F	25	77	Los Angeles	S	29	84								
Copenhagen	S	14	57	Luxembourg	F	19	66								
Corfu	S	34	93	Madrid	S	34	93								
Dublin	F	16	61	Majorca	S	33	91								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Unions back Icahn

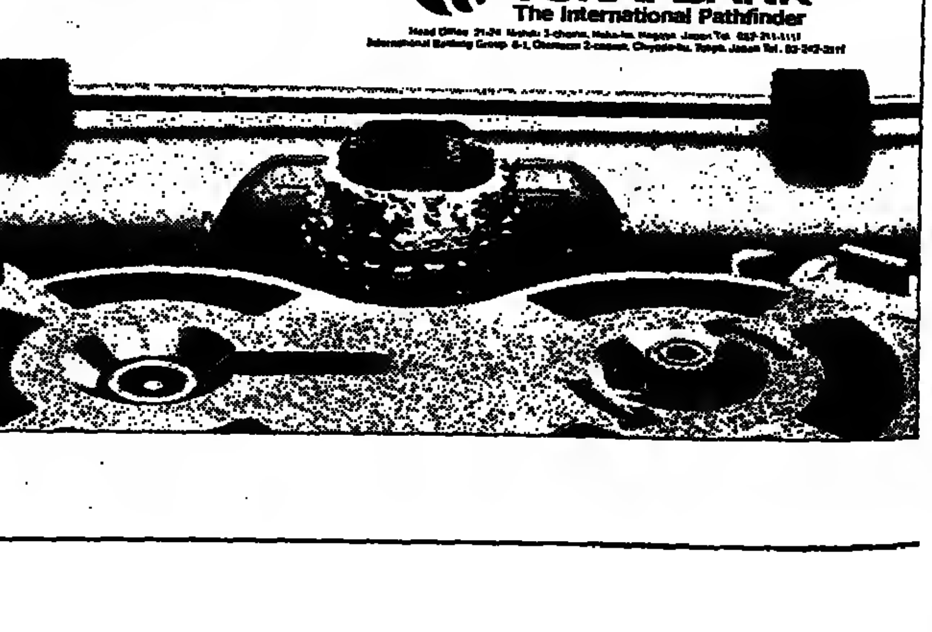
Continued from Page 1

Mr Icahn is offering $19.50 in cash and $4.50 a share in securities that are identical to those being offered by Texas Air. Mr Icahn said yesterday that "the TWA board has already indicated that an offer of $19 in cash and $4 in preferred stock for each share of TWA common stock is fair to shareholders."

Since I am offering a higher price, have achieved the support of the pilot's and machinists' unions, and am on record before federal and state courts, Congress and the Department of Transportation that I will operate TWA in such a way as to maximise the long-term interests of TWA, its employees and the travelling public, I hope the board will act favourably towards my proposal," he said.

Mr Icahn reserved the right to withdraw his offer if the TWA board fails to react favourably by 5pm on Thursday of this week.

Under his agreement with the unions' Mr Icahm has agreed to a number of limitations on the sale of assets anf the maintainance of capital spending. In addition, he will grant the unions a share of the proceeds in excess of a specified amount if he sells his TWA shares to a third party before certain dates.



SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday August 6 1985

GHH lifts payout as MAN recovers

By Rupert Cornwell in Bonn

THE WEST German engineering concern Gutehoffnungshütte (GHH) yesterday announced a substantial dividend increase for the financial year ending last June 30, thanks largely to recovery at its long-troubled heavy vehicle and motor subsidiary MAN.

At the same time, further pointers have emerged to a possible forthcoming overhaul of the structure of the entire GHH-MAN group, with the revelation of plans by the Haniel family to dispose of its remaining stake in the DM 583m ($206m) capital of GHH.

Dr Klaus Götte, chief executive of the Oberhausen-based GHH, disclosed that the parent company will boost its dividend to DM 5.50 per share for 1984-85. This compares with DM 3 in 1983-84 and DM 4 in 1982-83.

The improved payout follows a significant upturn in profits, sales, and orders by the domestically-based part of the GHH group last year, reflecting a surge in foreign demand, as well as the long-awaited improvement at MAN, of whose DM 429.6m capital GHH holds over 75 per cent.

According to Dr Götte, GHH expects a profit of between DM 50m and DM 100m for the year to last June 30, excluding the extraordinary profit stemming from the sale by MAN to Daimler-Benz of its 50 per cent holding in the engine manufacturer MTU – a deal valued at the time by analysts at around DM 500m.

This compared with a loss of DM 59m for 1983-84, which in turn reflected the DM 112m deficit registered by MAN. For last year MAN will report its accounts in balance.

This device will enable it to make over all available profit – the amount of which Dr Götte did not specify – to reserves, to strengthen its financial position. MAN's losses in recent years had caused it to run down its reserves by around DM 250m.

Orders booked last year by GHH and its West German subsidiaries jumped 14.1 per cent in 1984-85 to DM 14.51bn. But the increase was entirely due to a surge of 20 per cent in export orders, to DM 7.97bn, while domestic demand remained absolutely flat.

The discrepancy was even more striking in the breakdown of GHH turnover. While sales at home dropped 6.5 per cent to DM 6.45bn, those abroad leapt by almost 22 per cent to DM 7.46bn, meaning that tha share of exports in total sales jumped from 47.1 per cent in 1983-84 to 53.6 per cent last year.

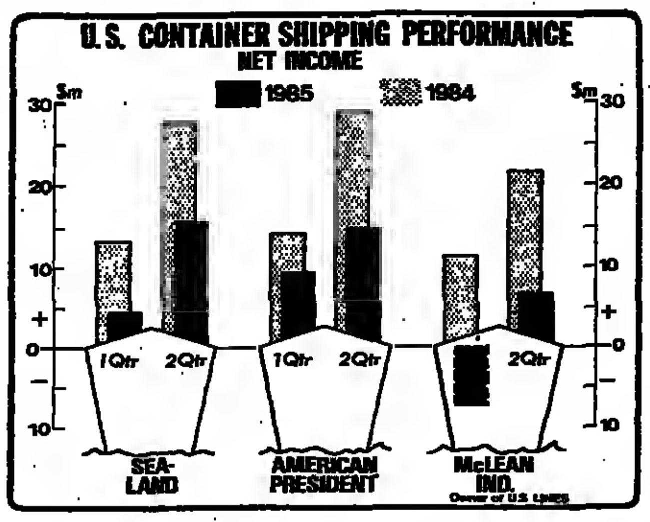
The turnround at MAN, whose losses in 1982-83 and 1983-84 reached DM 280m, reflects a 40 per cent boost in its exports of trucks, above all to Western Europe, and a strong performance by the GHH-Sterkrade plant manufacturing unit

Dr Götte told shareholders that, barring surprises, MAN would turn in a profit for the current year,

Confirmation of the Haniel transaction came from a spokesman of the Allianz insurance group, which together with the family has held – directly and indirectly – a controlling stake of "over 50 per cent" in the equity of GHH.

Andrew Fisher looks at the future of the big three sea-cargo companies in the U.S.

Container trade weathers stormy waters



PROFITS OF leading U.S. container shipping companies plunged in the first half of 1985, as last year's surge in trans-Pacific cargoes to the U.S. slowed to a crawl and more new vessels were delivered on to the market.

But the big three liner (scheduled route) companies in the U.S. are showing few signs of panic, though over-capacity is on the rise and the U.S. economy seems to have lost some of its bite and thus its appetite for imports. In fact, the companies are more sanguine about the third quarter.

"Wa are not fingering our worry beads or staring out the window," said Mr Bruce Seaton, chairman of American President Companies, at a recent meeting with analysts. "Wa feel very bullish about our position as we come to the cycle," he added, in reference to the rough times the industry faces.

Its liner company, American President Lines (APL), has had a difficult ride this year after a record 1984, as have rivals Sea-Land and McLean Industries, owner of the highly expansion-minded United States Lines.

But Mr Seaton reckons that, with debt under control, APL's continued investment in rail services to extend the seaborne trade network – Sea-Land is also spending heavily on new land facilities – and a tightly-knit cargo and management operation, the company will be able to ride the upturn when it comes.

American President, formerly part of the Natomas energy group, operates only on the Pacific, which saw a 25 per cent jump in cargoes last year. This propelled earnings sharply ahead in 1984, but 1985 has seen them on the slide.

Second-quarter figures from the California-based group showed a drop from $28.9m last year to $14.8m, as freight rates came down and export volumes from North America to Asia fell. But after the disastrous first three months, the latest period proved less nail-biting than expected.

Sea-Land, shaken last month when Mr Harold Simmons, a Dallas-based businessman, took a 9 per cent stake and said be would buy more, also survived the second quarter with fewer scars. Earnings of $16m compared with $27.5m a year ago, though this year they benefited from a $6.4m investment tax credit.

Once owned by R. J. Reynolds Tobacco, Sea-Land operates on the Pacific and the Atlantic. Between Asia and North America, the world's busiest container route, Mr Joseph Abely, the chairman, said overtonnaging had put freight rates "under intense competitive pressure."

However, trading has been calmer on the Atlantic, the scene of fierce rate wars several years ago. There, he added, Sea-Land's vessels were "operating comfortably close to capacity in both directions."

Not all Pacific rates have fallen. Though 30 to 40 per cent lower this year for some high-valued cargoes like sophisticated consumer products, they have hardly moved for others. Yet the rate outlook is poor, as new ships from Evergreen of Taiwan, U.S. Lines – both their round-the-world services are well under way – and others swell supply.

Because of U.S. Lines' ambitious global service – eastbound only, while Evergreen goes both ways – the industry has closely eyed McLean's financial performance. It has 10 of the world's biggest container ships, each capable of carrying 4,000 TEU (20 foot equivalent units), with two more to come.

In the second quarter, McLean's net income was $6.7m ($21.8m), much better than expected, in view of hefty start-up costs and the state of the market. In the first, it lost $7.5m. McLean, headed and mostly owned by Mr Malcom McLean, the tough container shipping pioneer, also has a South American service.

The expansion programmes of Evergreen, which has just ordered four large new ships, and U.S. Lines total more than $1bn each, including containers, terminal and other facilities. McLean's new global vessels earn profits at the operating level, but are unlikely to do so now after financing costs.

The U.S. companies are more relaxed about prospects for the current quarter. June was busier and July proved stronger, with the third quarter seasonally active as products are shipped to North America ready for the pre-Christmas build-up of stocks.

But the long-term view is not especially cheerful. "The third quarter may look better than we thought earlier, but I'm not optimistic about it continuing," commented Ms Sally Smith, an analyst with U.S. investment bank Alex Brown.

"Next year," she added, "is very hard to call." By then, there will be even more container tonnage, while growth rates in the Pacific and Atlantic are nowhere near likely to absorb all the capacity. The new Evergreen order, she felt, "could push out the cycle even further."

Sea-Land and APL have largely stood aside from the latest ship-ordering spree. But both are spending heavily. This year, APL's investment will be a record $265m, much of it on rail services, including double-stack railcars which can carry two containers.

Sea-Land is also investing in trains, as well as spending $180m on three U.S.-built ships for its Alaska service, and $76m on enlarging 12 existing ships in Japan. It has costly long-term commitments to new terminal facilities at Tacoma, in the north-west U.S., and Rokko Island, near Kobe in Japan.

In a container trade boom, investment on so-called "intermodal" or fast, integrated door-to-door services on land and sea, can pay off handsomely in extra business. But when times are slack, the higher fixed costs and inability to obtain adequate rates can be a burden.

Even so, companies reckon the investments are worth whila in advance of trading surging ahead again. But predicting the timing of a full recovery is harder as more vessels crowd the market. For the moment, APL and Sea-Land are holding back on their plans for more new ships.

Renault chairman Georges Besse

Renault sells Paris HQ

By David Marsh in Paris

RENAULT, the state-owned French motor manufacturer struggling to reduce heavy losses, has agreed to sell its prestige Paris office building in the Champs Elysees for between FFr 350m ($40.7m) and FFr 400m.

The sale, to the No 2 nationalised bank Crédit Lyonnais, was agreed at the end of last week and will be realised in September, an official said.

Renault will rent back from the bank its ground-floor show rooms. A Renault pub/restaurant on the site will also be maintained. But tha company will mova out of the remainder of the eight-storey building. This is at present occupied by different Renault services, including its main boardroom, as well as by its banking subsidiary, Société Financière et Foncière.

The decision to sell the building was taken earlier this summer as part of the strategy of M Georges Besse, the new chairman, to streamline the company's activities.

During the weekend Renault also concluded the sale of its loss-making bicycle subsidiary Micmo-Gitane, to the Yvars-Gateau group for FFr 3.5m.

The sale, which has raised fears among unions of workforce cuts among Micmo's 325 staff, will strengthen Yvars-Gateau's existing cycle activities.

Spain to replace revolving facility

BY ALEXANDER NICOLL IN LONDON

SPAIN HAS provided an important boost to the growing market in Euro-commercial paper, announcing plans to replace drawings under a year-old revolving underwriting facility (ruf) with a new $500m programme.

The new facility is modelled on the U.S. commercial paper market and is aimed at providing cheaper funds than the $500m ruf which is fully drawn and has a fixed spread for the borrower of 18 basis points above London interbank-offered rates (Libor).

Spain will instead issue commercial paper of up to nine-months maturity through six dealers – all but one of the principal banks in the ruf. They are Merrill Lynch Capital Markets, Dai-Ichi Kangyo International, Manufacturers Hanover, Mitsubishi Finance International, Mitsui Finance International and Banque Paribas Capital Markets.

Paper issued under the ruf has been trading within a five-point spread above Libor, providing a clear profit to the arranging banks. As commercial paper dealers, the banks will simply make a price to the borrower and take a small turn on placing the paper.

The commercial paper will not be underwritten. But the ruf will remain in place on an undrawn basis, providing a guarantee for the borrower that it will always be able to issue paper. The commitment fee for the ruf is 12½ basis points for three years, rising to 15 for the next four and 17½ for the final three.

Spain's new programme, in which paper will be officially termed Sovereign Euronotes, marks a significant advance in the Euro-commercial paper market, in which other companies are expected to follow the example set last week by Britain's BOC.

It indicates a further shift away from the tender-panel system – in which every issue of paper is made through a formal competitive auction between participating banks – towards dealerships which provide quick issues

Swiss groups in Japanese joint ventures

By John Wicks in Zurich

TWO SWISS-based companies have recently agreed to set up joint-venture operations with Japanese counterparts.

Georg Fischer, the Schaffhausen industrial group, and Kubota have established a 50/50 owned subsidiary, due to start trading in Osaka next week, which will market a range of fittings for use in the control and transmission of dangerous or high-purity substances.

Fischer has developed a range of plastic fittings which are increasingly replacing metal components in this specialised field and hopes with its partner to secure a leading position in the Japanese market.

Separately, Adia, a Swiss-based international temporary employment agency, has entered into a joint-venture agreement with the Japanese company Career Staff. The resulting company, to be called Adia Japan, will set up agencies in the main Tokyo department stores and specialise in the recruitment of staff for the computing, accounting, translation and commercial sectors.

Arco sells Jamaican interest

BY CANUTE JAMES IN KINGSTON

ATLANTIC Richfield, the U.S. energy group, has sold its 27 per cent holding in Jamaica's largest bauxite refinery to its two other partners in the plant, Kaiser Aluminum and Reynolds Metals.

The refinery, Alumina Partners of Jamaica, which has a capacity of 1.2m tonnes per year, is now jointly owned by Kaiser and Reynolds.

The purchase followed Atlantic Richfield's decision to divest itself of all its holdings in metals.

Industry sources say the deal will ease uncertainty over the future of the refinery.

The plant has been operating at half its rated capacity for the past year, and its owners are reported to have repeatedly come close to closing it.

● National Intergroup, the Pittsburgh conglomerate which has been diversifying away from steel, is acquiring Permian, an independent Texas oil producer, for $172m in cash and shares.

Mr Howard Love, National Intergroup's chairman, indicated that the company had sold First Nationwide Financial, its highly profitable savings and loan subsidiary, to Ford Motor last week to pay for Permian, which, he said, would provide "a consistent, predictable earnings stream."

National Intergroup bought Permian from Wesray Capital, an investment company set up by Mr William Simon, a former U.S. Treasury Secretary.

Thai bank sues former executives

BY K'THANA BOONSONG IN BANGKOK

THE STATE-OWNED Sayam Bank has filed a civil suit to demand 3.6bn baht ($134.8m) in damages from seven former executives who ran the bank before it was taken over by the Thai Government a year ago.

The suit against executives of the then family-run Asia Trust Bank (renamed Sayam Bank) followed an extensive investigation which alleged they had extended loans without sufficient collateral and had made overseas borrowings for their own interests.

Among those facing the suit are members of the family who managed ATB: the fugitive former chairman Mr Wallop Tarnvanichkul, his wife Lalinthip, former bank president Mr Tinakorn Tarnvanichkul, Ms Methinee Tarnvanichkul, Mr Siri Vichitranonda, Mr Susut Vichitranonda and Mr Kanit Laolikitnon Da.

The lawsuit, filed on Friday after taking almost a year to prepare, charged that the alleged acts had caused damage to the public, depositors and shareholders, as well as disrupting national economy and affecting credibility in banking circles.

IBM Japan issue finds a ready home

BY MAGGIE URRY IN LONDON

WITH DEMAND for Eurodollar bonds patchy at best these days, it makes sense to target issues at the most likely buyers. IBM Japan, which is 100 per cent owned by IBM, did just that yesterday, launching a $100m issue which met a good response.

The deal, led by Morgan Guaranty, is the first "sushi" bond for a Japanese company whose parent is a non-Japanese group. These bonds can be sold to Japanese investors – currently the mainstay of the market – without encroaching on the buyers' limits on investment in foreign bonds, because the issues come from Japan and are therefore regarded as Japanese issues.

Because the bonds can find a ready home, terms are generally finer than on conventional issues. IBM Japan was able to price its deal at an all-in cost of 25 basis points below the yield on U.S. Treasury securities.

The seven-year bonds, which are not guaranteed by IBM, pay a 10⅛ per cent coupon and are issued at 100⅛. Fees total 1⅞ per cent but the bonds were trading yesterday within the 1¼ per cent selling concession almost unheard of in these difficult times for syndicate managers.

As if to illustrate the problems facing syndicate managers in the Eurodollar bond market, a three-tranche deal for Connecticut Mutual Life Insurance, which was generally regarded as generously priced, was trading only just inside its full fees.

The deal, in the name of CM International, raises $250m and is backed by commercial mortgages. The security will give the bonds a triple A rating. Salomon Brothers is lead manager.

The first tranche, for $79.85m, matures in 1990, has a 10⅛ per cent coupon, and is issued at par. A sinking fund gives an average life of 3.3 years. Fees are 1⅞ per cent. The second tranche, for $147.95m, matures in 10 years, though a sinking fund reduces the average life to 6.5 years and there are call options in years nine and 10. The coupon is 11 per cent and issue price 99⅞. Fees are 2 per cent.

The third portion is a 15-year zero-coupon deal with a face value of $115.90m, issued at 18.80 to give a yield of 11.79 per cent. Fees are 90 basis points and this is a bullet.

The structure of the deals is similar to that used for issues made by New England and Prudential, also led by Salomons.

Eurodollar bond prices were easier again yesterday, though trade was thin and mainly professional. Prices fell by ¼ point or more.

A surge of activity was seen in the Euroyen dual-currency sector. Daiwa Europe launched a Y20bn deal for Denmark, which will pay coupons of 7⅛ per cent in yen, but will be redeemed in U.S. dollars. The redemption amount will be $104.32m, giving an exchange rate of Y191.72 to the dollar. The bonds mature in 1997 and issue price is par. Fees total 2 per cent.

Nomura International launched a Y20bn deal for Credit National which is guaranteed by the French Government. This has an 8 per cent coupon and it will be redeemed in 10 years at an exchange rate of Y208, a redemption amount of $96.15m. Fees are also 2 per cent. Issue price is 101⅛.

A third deal, for American Express Credit Corp, was also under way late last night, led by Nomura International. Terms are expected at a Y25bn issue amount with redemption at $120.19m an exchange rate of Y208 to the dollar. The maturity will be 10 years and the coupon 8 per cent. Issue price is thought to be 100½ and fees are 2 per cent.

All three issues came too late to trade actively. However, they are expected to meet a better reception than the earlier Euroyen dual-currency deals, which suffered when the dollar fell.

Australia is tapping the bulldog market for £100m through an offer for sale led by S.G. Warburg. The bonds will mature in 2012 and will be priced tomorrow afternoon to yield 45 basis points more than the redemption yield on the benchmark gilt, Treasury 13½ per cent 2004 = 08. The margin equals that on the recent World Bank issue which was the finest yet seen. That is now trading at a margin of around 30 basis points above the gilt yield. The Australia issue will be priced close to 88½, and it will be partly-paid, with £30 due on application on Thursday August 8. Dealings will start on Friday.

Barclays Australia was the latest borrower in the Euro-Australian dollar bond market. The sector has become oversupplied with paper and investors, mostly continental, can afford to be choosy. The terms on Barclays issue – a five-year life with a 12¾ per cent coupon and 100¼ issue price – were close to those for Commerzbank's deal last week, a name which may prove more popular than Barclays with German buyers.

Much more paper is expected in the sector and coupons are rising. Barclays' issue, led by Barclays Merchant Bank, was quoted outside its 2 per cent fees.

In the European currency unit Eurobond market Mitsui Finance Asia launched an Ecu 32m issue led by Société Générale. The proceeds will be lent on to another borrower. The bonds, which mature in 1995, pay a 8⅞ per cent coupon and issue price is par. The average life is eight years.

The Ecu market remains unsettled and this issue was quoted just within the 2 per cent total fees. Generally turnover was low in this sector with prices little changed.

Trading was quiet also in the D-Mark and Swiss franc markets with prices little changed. No new issues were launched yesterday,

Swiss drop planned federal issue; International bond service, Page 15

INTL. COMPANIES & FINANCE

Komatsu interim earnings indicate improving trend

BY CARLA RAPOPORT IN TOKYO

KOMATSU, the world's second largest maker of construction machinery, yesterday reported little-changed pre-tax profits for the six months to June 1985.

Parent company half-year sales were up just 1.4 per cent to Y294.1bn ($1.24bn) while pre-tax profits were only 0.4 per cent higher at Y25.1bn compared to the sama period last year.

This year's levelling of profits represents an improvement for Komatsu which had seen nearly three years of earnings decline from its peak for the full-year in 1982 of Y65bn on sales of Y652.6bn. The company said yesterday that growth in domestic sales of construction equipment outpaced overseas sales in the first half of 1985, with domestic sales showing a 4.8 per cent improvement compared with a 4.8 per cent drop in exports.

The company said that the decline in exports was largely due to decreased sales in Middle East markets which more than outweighed the growth in sales of the company'e newest machines in overseas markets.

For the full year, the company forecasts that the trading environment "will remain difficult both at home and abroad." However, it expects to chalk up a 10.5 per cent improvement in pre-tax profits to Y49bn on sales up 3.4 per cent to Y595bn.

Net profits for the six months were Y13bn while earnings per share were Y15.89. The interim dividend is unchanged at Y4 per share.

● Sapporo Breweries, Japan's second largest brewer has announced parent company net earnings down by 3.1 per cent for the half year to June to Y1.72bn from Y1.78bn a year earlier on sales up 5.1 per cent to Y175.93bn from Y167.43bn, AP-DJ reports from Tokyo.

Earnings per share fell to Y6.07 from Y6.27 but the interim dividend is unchanged at Y2.50 per share.

Sapporo ascribed the earnings decline mainly to higher prices of malt, hops and other materials although the cost of beer bottles and cans fell.

Beer sales rose 5 per cent to Y164.192bn while sales of soft drinks showed little change at Y6.85bn.

For the full year, Sapporo predicts sales of about Y400bn against Y379.93bn for 1984, but net earnings are expected to fall to about Y4.3bn from Y4.43bn.

London finance arm for Nippon Steel

By Our Tokyo Correspondent

NIPPON STEEL, the world's largest steelmaker, is planning to establish a financial subsidiary in London to enhance its fund management expertise.

The company said yesterday that the new subsidiary, Nippon Steel International Finance, will have close links with Japanese banks already in London, such as the Industrial Bank of Japan. The group will have an initial capital of around $10m.

It is believed that the new company will later be used as a vehicle through which Nippon Steel will raise funds for overseas acquisitions or investments.

Overseas financial subsidiaries have become quite common for Japanese trading and exporting companies over the last year; thanks to recent financial liberalisation measures undertaken by the Japanese government.

● Sumitomo Bank, one of Japan's leading commercial banks, is planning to apply for a licence to set up a trust bank in New York. The bank said yesterday that it intends to begin negotiating with New York authorities for the licence shortly. Details, such as the name of the bank, have yet to be decided.

New president for Thailand SE

BY BOONSONG K'THANA IN BANGKOK

THE Securities Exchange of Thailand (SET) yesterday named an executive of a medium-sized Thai finance company as its new president.

Dr Maruey Phadoongsidhi, the 56-year-old managing director of the 75 per cent state-owned Erawan Trust Company, will succeed Mrs Siriluck Ratanakorn, the current president, from September 15.

Mrs Siriluck, who cut short her four-year term as president because of administration conflicts with the stock exchange's board of directors, is leaving on September 1.

Mr Dusdee Svasti-Xuto, SET's chairman, who confirmed the appointment of Dr Maruey, will serve as acting president during the transition period.

Local finance and security circles yesterday welcomed the appointment of Dr Maruey as he is expected to develop better relations between exchange officials and securities traders.

Dr Maruey, who received his PhD in business administration from Wisconsin University, is well recognised in the industry because of his administrative skill and compromising character, unlike his predecessors whom brokers regarded as hard-liners.

Singapore ship repairers suffer heavy net losses

BY OUR FINANCIAL STAFF

SINGAPORE'S TWO state-controlled ship repairers, Keppel Shipyard and Sembawang Shipyard, have reported heavy losses for the six months ended July 30.

Keppel suffered a S$27m (U.S.$12.3m) net loss on sales of S$300m, against a loss of S$6.3m on sales of S$405m in the same period of 1984. The company blamed increasingly difficult market conditions in its main businesses of shipping, ship repairing, and offshore construction, and predicted that the trading environment in these sectors was unlikely to improve in the second half of the year.

Sembawang showed a net loss of S$6m on sales of S$49.7m, against a profit of S$2.6m on sales of S$68.8m.

In mid-June, the Singapore Government announced the appointment of consultants to advise on rationalisation of the ship repairing industry in the island state. Although no details of official thinking have yet emerged, the need for extensive capacity cuts appears to be widely accepted.

Increased deficit at Cusaf

BY JIM JONES IN JOHANNESBURG

COMMERCIAL UNION (Cusaf), the South African arm of Commercial Union Assurance of the UK, extended its short-term underwriting loss in the six months to June. Though first-half net premium income rose to R53.6m ($24.6m) from R44m an underwriting deficit of R2.3m was recorded against surplus of R3.1m. For all 1984 net premium income was R88.4m and the year's underwriting surplus was 507,000 after a second-half deficit.

In common with most short-term insurers Cusaf has been affected by a significant increase in the number and value of fire, motor and crime claims and has been restained from increasing premiums to satisfactory levels by a continuation of the competitive rates war.

INTL. COMPANIES & FINANCE

Dofasco first-half profits rise

BY ROBERT GIBBENS IN MONTREAL

DOFASCO, Canada's second largest steel maker, has reported a better first-half performance and says third-quarter demand is running higher than in the same period last year.

Second-quarter profit rose to C$51m (U.S.$31.1m) or 83 cents a share, from C$46.9m or 91 cents, on sales of $521m against $492m.

This took profits for the first six months to C$91.9m or C$1.60 a share, against C$88.1m or C$1.70. Shares outstanding increased in the latest period, while sales edged up from C$976m to C$1bn.

Dofasco said its railcar subsidiary would operate at relatively low levels for the rest of the year but the tubular products subsidiary was doing quite well.

● Canadian Tire, the hardware, auto parts and sports goods chain, slipped into the red in the first half because of continuing losses at its U.S. White Stores subsidiary and a C$50m writedown in the carrying value of the operation.

In the first half, Canadian Tire had an operating net profit of C$21.5m or 25 cents a share, against C$23.5m or 29 cents a year earlier. After the writedown, there was a net loss of C$28.5m, against a final profit of C$24m or 24 cents a year earlier.

Swiss drop federal bond issue

BY JOHN WICKS IN ZURICH

THE SWISS National Bank and the country's Finance Ministry have decided to drop the federal bond issue which had been planned for August 14. The tender issue would have raised in the region of SwFr 250m ($108m).

This follows a decision not to go ahead with the premature repayment of a 1976–87 bond issue as of mid-July. The August float would have represented a partial refinancing of this sum. The decision not to redeem the 1987 bonds, which carry a 5.25 per cent coupon, had been taken at a time of rising interest rates.

At present, the Government is in no urgent need of new funds. Apart from the seasonal strength of the treasury, recent federal issues have all raised substantially more than the standard SwFr 250m, while the continuation of the 1987 bonds overcompensates by some SwFr 50m for the scrapping of the new August float.

At the same time, Switzerland is due for a new bond issue in October when treasury requirements are greater. A Finance Ministry spokesman indicated that interest rates were expected to fall further by the autumn.

The cancellation of the August issue had not been generally expected by the commercial banking sector, particularly since the Government has only just admitted that it had over-estimated its fiscal income for this year.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 5.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	100⅝	101⅛	−0¾	−0⅛	10.61
Amex Credit 12⅝ 88	150	105	105½	−0½	−0⅛	10.57
Atlant Richfld 10¼ 90	250	91⅞	92⅜	−0¼	0	11.36
BP Capital 11⅛ 92	150	100⅝	101⅛	−0⅛	+0¼	10.98
Canada 11½ 00	500	103⅜	103⅞	−0¾	−0¼	10.44
Canadian Pac 10¾ 90	100	98⅛	98⅝	−0⅜	−0⅛	10.86
Canadian Pac 12½ 00	75	100⅛	100⅝	−0½	0	11.55
CBS Inc 11⅜ 92	100	100⅝	101⅛	+0¼	−0⅛	11.17
Chevron U.S.A. 12¼ 89	600	103⅞	104⅜	−0⅛	+0⅜	10.94
Citicorp 11½ 95	150	100⅛	100⅝	−0¼	+0⅜	11.42
Coca Cola 11¾ 91	100	106⅜	106⅞	−0¼	+1	10.23
Denmark Kingdom 11¼ 89	100	101⅜	101⅞	−0½	0	10.87
Denmark Kingdom 11½ 90	100	102¾	103¼	0	−0¼	10.84
Denmark Kingdom 11½ 92	100	102	102½	0	+0¼	10.99
Denmark Kingdom 13¼ 91	100	108⅜	108⅞	−0⅛	+0¼	11.21
E.D.F. 10 95	225	93⅝	94⅛	−	−	11.04
E.E.C. 11½ 90	100	101⅞	102⅜	−0⅛	+0⅜	10.47
E.I.B. 12 95	200	104⅝	105⅛	−0⅛	+0⅛	11.18
E.I.B. 13 96	200	108⅜	108⅞	−0⅛	+0⅛	11.42
Export Dev Corp 10 90	100	96⅜	96⅞	−0⅛	+0⅝	10.98
Export Dev Corp 12 89	100	104⅜	104⅞	−0⅝	+0¼	10.56
Fed Dep Stores 10⅛ 95	100	95¼	95¾	−	−	10.88
Ford Motor Cred 11⅜ 90	100	101	101½	−0¼	+0¼	10.97
Ford Motor Cred 11⅜ 95	100	100¼	100¾	−0⅜	−0⅜	11.31
Ford Motor Cred 11¾ 92	100	100½	101	−0⅜	−0¼	11.56
Ford Motor Cred 12 95	100	102⅞	103⅜	−0⅛	+0⅜	11.42
Gen Elec Credit 10¼ 00	200	99⅝	100⅛	−0⅛	+0⅛	10.35
GMAC 10¼ 89	200	100	100½	−0⅛	+0⅛	10.15
IBM Credit 10⅜ 2000	300	101⅛	101⅝	0	+1¼	10.17
Japan Air Lines 13⅝ 94	180	115⅜	115⅞	+0¼	−1¼	10.99
Kellogg Company 10⅞ 90	100	100½	101	−0¼	+0⅜	10.61
Kellogg Company 11¼ 92	100	101	101½	−0¼	−0⅜	10.94
L.T.C.B. 12¾ 91	100	107½	108	+0⅛	0	11.06
Macy Cred Corp 11¾ 95	100	103⅝	104⅛	0	+1⅛	11.04
Mellon Bank 13 87	100	104⅞	105⅜	−0⅛	−0⅛	10.11
Merrill Lynch 12⅞ 89	100	106⅜	106⅞	−0¼	+0¼	11.27
Minnesota 11½ 87	100	102⅝	103⅛	−0½	0	9.93
Mitsui Trust 11⅜ 00	100	101	101½	−0⅛	−2	11.28
Morgan Guaranty 12⅝ 89	150	104⅞	105⅜	0	+0⅛	10.76
Penney J.C. 12¼ 91	100	105⅝	106⅛	−0⅜	0	11.35
Pru Realty secs 12⅛ 95	540	104⅜	104⅞	−0⅛	−0⅛	11.28
Qantas Airways 10⅞ 95	140	96½	97	−0⅛	+1⅛	10.92
Quebec Hydro 11½ 92	100	102⅜	102⅞	−0¼	+0⅝	10.93
Queensland Govt 10¼ 95	100	95	95½	−	−	11.55
Ralston Purina 11¼ 95	150	101⅞	102⅜	−0¼	+0⅛	11.36
Ralston Purina 12¾ 89	100	105¼	105¾	0	+0⅛	11.01
Saskatchewan 10¾ 92	100	99¼	99¾	−0¼	−0¼	10.83
Saskatchewan 11⅞ 89	100	103⅝	104⅛	−0¼	+0⅜	10.66
S Wales Trsy 11¾ 90	150	103⅜	103⅞	−0⅛	+0½	10.70
Swed Exp Cred 10 92	100	95¾	96¼	−0⅜	0	10.94
Swed Exp Cred 12¾ 88XW	100	105⅝	106⅛	−0⅛	+0¾	10.88
Sweden Kingdom 10⅞ 90	200	100¼	100¾	−0¼	0	10.71
Sweden Kingdom 11½ 89	200	102½	103	−0⅛	0	10.64
Sweden Kingdom 11¾ 94	100	103⅛	103⅝	−0¼	−0⅝	11.13
Tenneco Corp 10¾ 95	150	96⅜	96⅞	−0¼	−0½	10.97
Texaco Capital 11⅛ 95	250	99	99½	−	−	11.26
Texaco Capital 12⅞ 87	300	104½	105	0	−0¼	10.19
Tokai Asia 11½ 95	100	100⅛	100⅝	−0⅜	0	11.29
Victorian Rep 11⅝ 92	150	102⅛	102⅝	−0⅜	+0⅛	11.08
World Bank 12¼ 94	150	106	106½	−0⅜	−0⅜	11.11
World Bank 12⅞ 94	200	109⅝	110⅛	−0¼	−0⅝	11.08

Average price change On day −0¼ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	105⅝	106⅜	0	+1	7.08
Austria Republic 7⅞ 94	200	104	104¾	−0⅛	+0⅛	6.92
Baxter Travenol 7¼ 94	200	103	103¾	−0¼	+0⅜	6.71
Copenhagen 7⅞ 95	150	101	101¾	0	+0⅜	7.16
Credit National 8⅛ 94	200	105¾	106½	−0⅛	+0⅛	7.13
E.I.B. 7¼ 94	300	101⅛	102¼	−0⅜	+0⅛	6.98
Escom 8 92	150	95	95¾	−0⅜	0	8.94
Ex-Im Bk Korea 7⅞ 90	100	100	100¾	−	−	7.52
Ferrovie Dello Stato 8 91	100	103¾	104½	−0⅛	+0¼	7.08
Finland Republic 7 92	200	100¾	101½	0	0	6.77
Gould Int Fin 7⅞ 91	100	104¼	105	−0⅛	+0⅛	6.93
Ireland 8⅛ 92	150	105½	106¼	0	0	7.00
Japan Fin Corp 7⅞ 91	100	103⅞	104⅝	0	+0¼	6.72
Mitsubishi Hvy 3½ 89WW	300	130	130¾	−1⅝	−4⅞	−4.04
Mitsubishi Hvy 3½ 89XW	300	91¼	92	+0⅛	+0¼	8.12
Mitsubishi Met 3⅛ 89WW	100	105½	106¼	+0⅜	+4⅝	1.72
Mitsubishi Met 3⅛ 89XW	100	89⅛	89⅞	0	+0⅛	8.29
Quebec Hydro 7⅛ 95	200	101⅛	102¼	0	−0⅛	6.85
Renfe 7¾ 95	100	103¼	104	+0⅛	+0⅞	7.21
Renown 3½ 00	80	100¾	101⅛	−0¼	−1⅜	1.29
Soc Cent Nuclear 7¼ 95	150	† 100	100½	−	−	7.21
Societe Cent Nuclear 8 91	100	106½	107¼	−0⅝	+0⅛	6.55
Sth African Tran 7⅞ 92	100	93¾	99¼	+0¾	+1⅛	8.76
World Bank 7¾ 89	100	103	103¾	0	+0⅛	6.88
World Bank 8 94	200	109⅛	109⅞	−0⅛	+0⅜	6.95

Average price change On day −0¼ on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6¼ 94	100	† 101¾	102	+0⅛	+0¼	5.98
Avon Cap Corp 5⅝ 94	130	† 99	99¼	−0¼	+0⅛	5.46
Brit Land Comp 6½ 99	75	† 102¾	103	−0¼	−0¼	6.19
Council of Europe 6 92	120	† 101	101¼	−1	−1¼	5.80
Creditanstalt 5½ 94	100	† 98¼	99⅛	+0⅛	0	5.72
Deutsche Bk Fin 5⅜ 95	100	† 101	101¼	+1	+0⅛	5.22
E.I.B. 5¾ 94	120	† 101⅛	101¾	+0½	+0⅛	5.54
Export Dev Corp 5⅝ 92	125	† 100½	100¾	0	+0¼	5.28
Gen Occidentale 4½ 94	80	† 102⅛	102¾	+0½	+0¼	4.15
I C Industries 5⅜ 94	125	† 99¾	100	+0⅛	−0¼	5.94
Ind Fund Fin 5⅜ 94	40	† 100	100¼	0	−0½	5.73
Int-Am Dev Bk 6⅛ 94	120	† 102⅛	102¾	+1	+1	5.75
N.Zealand steel 5¼ 00	70	† 98¾	99	−0¼	0	5.98
Oberos Kiwk 5⅜ 95	100	† 99¼	99⅝	−0¼	−0¼	5.09
Ralston Purina 5⅝ 94	125	† 100	100¼	+1	0	5.35
Santos Finance Ltd 6 94	130	† 99	99¼	0	0	6.12
Tokyo Elec Pwr 5½ 95	120	† 99⅛	99¾	−0⅛	−0⅛	5.73
Tokyo Metropolis 5¼ 94	80	† 99⅛	99¾	−3¼	−0¼	5.44
World Bk 5⅜ 94	150	† 101½	101¾	0	+0¾	5.52

Average price change On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6¾ 90	15	99⅞	100⅜	−0⅛	+0⅛	6.71
Gdyr Tr & Rubber 7⅛ 95	25	98½	99	−0⅛	+0¼	7.30
Mort Bk Denmark 7 92	10	100⅛	100⅝	−0¼	+0⅜	6.92
New Brunswick 7⅛ 95	10	101¼	101¾	−0⅛	+0⅜	6.90
World Bank 6⅝ 90	25	100¼	100¾	−0⅛	+0½	6.40

Average price change On day −0⅛ on week +0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia Com 12¾ 90SA	125	102	103	−0⅛	−0⅜	12.17
Citicorp Aust 13½ 88SA	40	101	103	0	−0¼	12.88
CSR Finance 13¼ 90 SA	40	101½	102½	+0⅜	+0⅛	12.86
Nissho Iwai 13¾ 90 SA	30	100	101	+0⅛	0	13.50
Amex 10¾ 90 CS	50	100	100½	+0¼	−0⅞	10.67
Genstar Fin 11¾ 95 CS	75	96¾	97¼	0	+0¼	12.28
Hamil-Wen'th 10¾ 95CS	25	† 94¾	96¼	−0¼	−1	11.62
Loblaw Cos 11⅜ 92 CS	50	† 98¾	99¼	−0¼	−0¼	11.63
New Brunswick 11⅜ 95CS	75	† 98⅜	98⅞	+0⅛	−0⅜	11.63
Shell Canada 11¼ 92 CS	75	99⅛	99⅝	−0½	+0⅛	11.28
Winnipeg Cty 10⅞ 90CS	50	97¾	98¼	−0½	−0¾	11.17
BP Capital 16 88 NS	50	99⅛	100⅛	−0⅜	−1⅞	16.16
Danish Ex Fin 16⅛ 90NS	40	95¾	96¾	+0⅛	−0⅛	17.28
XB Inma 16⅝ 90 NS	50	96⅜	97⅜	+0⅜	−1	17.27
C.N.T 9¾ 92 ECU	75	105⅝	106⅛	−0¼	−0⅞	8.52
C.N.T 9⅞ 95 ECU	75	103½	104¼	−0⅜	−0⅞	9.24
Eurofima 9⅛ 93 ECU	50	104⅝	105⅜	−0¾	−1¼	8.46
Eurofima 7½ 92 FL	50	103⅝	104⅛	+0⅜	+0⅞	6.75
Philips Lamps 7½ 90 FL	100	103⅛	103⅝	+0¼	+0⅜	6.64
Rank Xerox 8 00 FL	100	105	105½	+0¾	+0¼	6.88
Van Lanschot 7½ 90FL	50	102½	103	0	+0⅛	6.81
World Bank 7½ 90 FL	150	102	102½	+0⅜	+0⅝	6.67
IBM France 11⅛ 00 FF	700	† 99⅝	100⅝	−	−	11.08
Amer Express 11⅛ 92 £	30	*103½	104	−0¼	−0⅜	10.54
Australia Comm 11 92 £	40	99	99½	−0½	−0⅞	11.14
BP Capital 10¾ 92 £	50	98¼	98¾	−0⅞	−1	11.05
E.I.B. 11⅛ 93 £	50	100¼	100¾	−0⅜	−1	11.00
GMAC UK Fin 10½ 00 £	30	97⅞	98⅜	+0¼	−0⅜	11.00
Imp Chem Inds 11¼ 95 £	75	100	100½	−1¼	−1¾	11.28
Inco 12¾ 93 £	50	102½	102⅝	−0⅛	−0½	12.21
Mcdonalds 10¾ 00 £	40	98¾	99¼	−0⅛	−1	11.13
Privatbanken 11⅞ 92 £	20	99½	100	0	−0⅜	11.90
Rank Xerox 11 92 £	40	98¾	99¼	−0⅜	−0¾	11.19
Royal Trustco 11⅞ 90 £	30	99⅝	100½	−0¼	−0½	11.37
Star Drug Cap 10¾ 90 £	30	99½	99⅞	+0⅛	−0¾	11.02
Tricentrol XW 11 92 £	35	99	99½	+0¾	−0¾	12.27
Trusthouse Forte 11⅛ 90£	50	95⅝	96⅛	−0⅜	−0⅞	11.41
World Bank 11¼ 85 £	100	102⅛	102⅝	−0⅜	−0⅞	10.83
E.C.S.C. 10½ 94LF	100	102⅞	103⅜	−1⅝	−1¼	9.94
Nat Lux Alum 10½ 92 LF	600	104½	105¼	−0⅜	−0¾	9.52

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	99¼	99½	24/7	7.56	7.61
BankAmerica O/S 5¼ 96	0⅛	99¾	100¼	3/9	8½	8.13
Bank of Montreal 5 96	0⅛	100⅛	100¾	29/7	8¾	8.70
Bankers Trust 5 2000	0	99⅝	99⅞	11/8	7.88	7.71
Bankers Trust 0¼ 90	0⅛	100⅛	100⅝	13/8	8.55	8.54
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/8	10.06	10.02
B.N.P. 5¼ 00 (July)	0¼	100¼	100½	22/7	8⅛	8.08
C.C.F. 5¼ 97	0	99¾	100	22/8	10⅝	10.64
Chase Man'tn 5 2000	0	99½	100	3/8	8⅝	8.65
Chase Man'tn 5¼ 2009	0⅛	99¾	100¼	5/9	7.81	7.81
Citicorp O/S 5¼ 96 Sep	0⅛	99½	99¾	19/12	11.19	11.23
Credit Lyonnais 5¼ 96	0⅛	100⅜	100⅝	11/10	9.88	9.64
Ireland 5¼ 97	0	100	100¼	28/10	9.88	9.88
Ireland 5¼ 99	0	100¼	100½	14/8	10	9.98
Italy, Republic 5 94	0½	100	100½	12/11	8⅞	9.00
Lloyds Bank 5¼ Perp	0¼	99¾	100¼	9/12	8	8.00
Midland Bank Perp 5	0¼	99⅝	100⅛	19/12	8⅛	8.14
Nat West Perp 8	0⅛	100⅞	101⅛	13/11	9⅛	9.08
Nat West Perp A 5¼ S	0¼	98⅛	98⅝	9/1	8¼	8.38
Nat West Perp B 5¼ S	0¼	99⅜	99⅝	9/8	5¼	5.28
Queensland Coal 5¼ 96	0¼	100¼	100½	12/11	8	8.97
Roy Bk Canada 5 2005	0⅛	99⅜	99⅞	5/8	7⅞	7.90
Roy Bk Scot 5¼ 2005 £	0	99	99¼	2/8	12.31	12.53
Sweden Perp 5⅛	0¼	100	100¼	9/1	8.31	8.30
Total 0¼ 99	0⅛	100⅛	100⅜	19/12	8⅛	8.10

Average price change On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	110⅛	111⅛	+0⅛	6.84
Fanuc 3¼ 00	1/84	7032.3	145⅝	146⅝	+2	38.11
Fujitsu 3 99	5/84	1320.9	77¾	78¾	−0½	15.75
Kumagai Gumi 3½ 2000	3/85	600	136¾	137¾	−2¼	−0.72
Marui 3½ 99	7/84	1162	114⅛	115⅛	−2⅛	−3.47
Mitsubishi Elec 2⅞ 00	3/85	422	90⅝	91⅝	−1⅛	−3.80
Murata 3½ 99	2/84	2351.2	83½	84⅛	+0⅛	21.56
Murata 3½ 2000	7/84	2386	82¼	85¼	−0¼	28.82
Nippon Elec 2⅞ 2000	1/85	1295	81⅜	82⅜	−0¼	31.20
Nippon Oil Co 3 2000	5/85	823	102⅝	103⅝	−1¾	2.88
Nippon Oil Co 3¼ 99	3/84	1052	103⅝	104⅝	−1¾	25.28
Oki Elec Ind 3½ 99	10/84	805	85½	86½	−1¾	34.58
Orient Leasing 5¼ 00	6/83	2680	90	95	−0⅛	−5.30
Sekisui House 3 99	6/84	612	125¾	126¾	+0⅛	6.56
Sony Corp 2 2000	5/85	4578	79¾	80½	0	8.77
Sumitomo Corp 2¾ 90	5/84	593	124⅝	125⅝	−0¾	3.36
Taiyo Yuden 3¼ 2000	3/85	1078	86¾	87	−3⅞	−5.80
Takeda Riken 3⅝ 2000	10/84	7883	76½	77½	+1½	40.83
Tokyo Sanyo Elec 3½ 99	12/84	772	87⅝	88⅝	−0¾	1.74
Toshiba Ceramics 3 2000	4/85	1734.2	94⅝	95⅝	+1	10.67
Nippon Oil Co 2⅝ 92 SF	3/84	1052	† 105⅛	107½	+2⅜	24.36
Nippon Shinpan Co 2 92 SF	3/84	801	† 100	102	+0⅞	17.23
Asics 5 92 DM	12/83	520	105¼	106	0	29.35
Sun Realty 6¼ 92 DM	2/83	338	280	282¾	−10⅝	−5.87

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

Reuters wary of strengthening £

Reuters Holdings, the information technology group floated last year, yesterday reported a 44 per cent rise in taxable profits for the first half of 1985, but warned of possible adverse currency affects in the second half.

Mr Glen Renfrew, group managing director, also stressed that the slowdown in the U.S. securities market did not affect Reuters. "Our mainstream business is still the international banking market, and that is the driving force behind Reuters' growth."

The interim result, which benefited from net interest receivable of £5.7m against £1.9m, came to £43.2m (£30.1m), and was at the lower end of City forecasts, some of which had suggested as much as £55m.

However, tha group's quoted B shares gained 5p to 288p on tha announcement, before slipping hack in later trading to close et 285p. This is considerably down on the higb of 401p for 1985.

Mr Renfrew warned of e possible adverse effect that the strengthening pound would have in the second half, if maintained against the major world currencies outside the U.S. This would be only partly offset by forward cover.

He was optimistic, bowever, and added that the outlook was for continued good growth based on strong demand for Reuter's main products.

In the period under review, wben currency factors produced a modest benefit, total group revenue rose from £149.2m to £212.8m. Some price increases were made at the baginning of the year, but they were modest and selective, seys Mr Renfrew, bringing in around £3m in the half year.

The figures also include a £2.7m contribution from the U.S. dealing room communications offshoot Rich Inc, acquired In April, which only hroke even last year.

Mr Renfrew said yesterday that sales of Rich systems were strong in North America and gathered momentum in Europe. Work progressed on the first installations in Asia, and capacity was increased at the Chicago plant to cope with tha continued growth in demand.

The managing director commented that "strong demand around tha world for Reuters major revenue-earning services overshadowed a number of soft spots. New sales, both gross and net of cancellations, remain buoyant, and had been particularly good for money market services.

"Europe continued to set the pace in sales volume, with the Far East, Australia and New Zealand doing very well."

In North America, sales were good for internationel money services, especially Monitor money dealing, and services for the U.S. domestic money market made steady progress.

However, growth In the commodities market continued to be hampered by heavy cancellations.

Pre-launch sales of a new small dish satellite service for domestic money and commodity markets were "very promising," said Mr Reofrew.

Progress was restrained by the lower oil revenues and unsettled conditions in the Middle East, by the continuing effects of the international debt crisis In Latin America, and a variety of economic problems in Africa.

New products leunched in the first half included the IBM Keyhoard Emulator, which allows Rauter keyboards to interact with IBM personal computers; and the Colour Terminal Emulator, which lets Reuter keystations assume the characteristics of a wide range of standard colour terminals.

Mr Glen Renfrew, managing director of Reuters

The group also launched an enhanced graphics product for foreign exchange and money markets. In June, it brought out tha Reuter capital markets news service for retrieval and display on screens, and in July, launched the Reuter monitor abacus, an arbitrage calculator for foreign exchange dealers, for which the company sees e large market.

Development activity on new products and network enhancements remained intense, said Mr Ranfrew. Development spending rose by 38 per cent over the first half of 1984 to £8.2m, including £744,000 at Rich (£448,000).

In April, Reuters acquired marketing rights outside North America in tha Instinet eutomatic trading system for U.S. equities, American Depositary Receipts (ADRs). It also began talks with a view to taking an equity interest in Instinent, and these talks continue.

Mr Reufrew said he was anxious to co-operate with the Stock Exchange hoth with its monitor service and with Instinet. "We hope the discussions come to a successful conclusion," ha edded.

Reuters, meanwhile, is still interested in UPI, or parts of it, but Mr Renfrew said that heving still not received information it had requested from UPI it was not actively pursuing this interest at the moment.

A breakdown of revenue over the half year shows money services prodnced 60 per cent of the total, including e 7 per cent contribution from monitor dealing; commodities made up 16 per cent, sacurities 10 par cent, Rich 8 per cent and the media 6 per cent.

On e geographical basis Asia, Australia and New Zealand brought in revenua of £55.4m (£38.3m); Europe £96.9m (£71.3m); North America £46.6m (£30.5m) and Reuters overseas £13.9m (£9.7m).

After e tax charge of £18.2m against £12.6m, earnings per 10p share are shown at 6p, up from 4.5p. The Interim dividend, to bep aid out of attributabla profits of £24.6m (£17.1m), is lifted from 1n to 1.25p, and will account for £5.1m (£3.9m). Retained profits cama to £19.5m (£13.2m).

The comparable figures have been restated on a merger accounting basis to reflect the Rich acquisition.

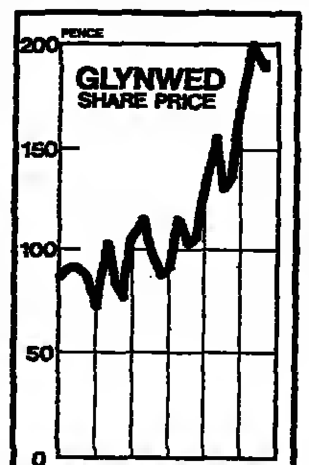
See Lex

Glynwed at £16m over six months: interim up

WITH UK operations showing an improvement of £2.2m and interest charges declining by £2.3m, the Glynwed International group has produced a pre-tax profit of £16.1m in the half year anded June 29, 1985, an advance of nearly 31 per eent nver the comparable £12.3m.

And the directors of this engineering group are expecting profits for the second half te exceed those of the first, provided the present level of demand continnes. In 1983-84 the gronp mada £26.5m, itself an improvement of £5.3m over tha previous year.

Earnings for the past six months have improved from 10.5p to 12.54p, and shareholders benefit through an increase in their interim dividend from 3.25p to 3.75p net per share. The previous final was 6p.



Turnover fell from £271m to £240m as a result of the disposals of two loss-makers: Defy Corporation in South Africa and Breman Steel in the U.S. In the UK operations aontinned their improvement. Overall operating profit moved np from £16.7m to £18.26m and interest payable was cut by over 50 per cent to £2.1m (£4.4m).

After tax £5.6m (£3.7m and minorities £200,006) the net profit for the period comes to £10.5m (£8.8m). Cost of the increased interim is £3.1m (£2.7m).

See Lex

Near £1m profit rise for Cray Electronics

GROWTH HAS continued for the Cray Electronics Holdings group. In tha second half it has produced a profit of £2.52m to make a total of £3.32m for tha 53 weeks ended April 5 1985, compared with £2.53m in the previous year. Interest charges were more than douhled.

The direcinrs say that real growth bas been experienced in each of the group's broadly hased fields of activity, namely communications, marine and sub-sea, and services and industrial sacurity, as margins have also benefited from the emergance of new product ranges.

In addition, the group started to experience in the second half the benefits of investment in sophisticated production facilities. The dividend Is lifted from 2.282p to 2.966p net, the final being 2.23p.

Turnover in the 53 weeks shot up from £26.3m to £32m, generating a gross profit of £8.5m, against £6.46m. The operating profit improved to £4.16m (£2.78m), and associates contributed £106,000 (£14,000), but interest paid rose to £949,000 (£416,000).

After tax £1.23m (£586,000) the net profit comes out at £2.1m (£1.76m), and earnings are shown at 9.05p, compared with 7.85p and with 6.94p after adjusting for exceptional tax credit.

There is an extraordinary debit of £38,000 (£297,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Ailsa Investment	1.2	—	0.8	1.8	1.3
Consultants‡ ...int.	0.2	—	0.1	—	0.25
Cray Electronics	2.23	—	1.72	2.97	3.28
Glynwed ...int.	3.75	Dec 18	3.25	—	9.25
Laurence Gould‡ ...int.	1.4	Sept 6	1.3	—	3.3
Peel Holdings	5.5	—	5	6†	7.35
Reuters	1.25	Sept 20	1	—	2.5
Rights and Issues ...int.	1	Sept 9	1	—	3.8
Smith Whitworth	0.25	Oct 4	Nil	0.25	Nil
Warehouse Group	3.75	—	3.75	3.75	3.75

Dividends shown pence per share net except where otherwise stated.

● comment

Cray Electronics keeps a fairly low profile and the highly specialised nature of its activities is enough to make eyes glaza over. It nevertheless deserves attention. It has avoidad the pitfalls which have befallen many another high-tech stocks through its successes in exploiting and dominating a small number of niches. On the defence side, it has progressed in the last 10 years from being little more than a jobbing engineer doing subcontract work to the position where it is a significant prime contractor supplying equipment such as multi-torpedo launchers, shipborna landing light systems for aircraft carriers, and sonic transducers, which act as edvanced undersea radar systems. Communications successes include the DI Mux, a sophisticated voice and data modem system, and a product for testing telephone exchanges. Tha industrial security division supplies equipment such as closed circuit television for hanks. Last year's profits are well up to forecasts and this year's are unlikely to disappoint those expecting £4.5m. After a 35 per cent tax charge, the shares, up 2p at 212p, do not, however, look cheap on a prospective p/e ratio of 17, especially since a rights issue is likely to accompany any further acquisitions.

Smith Whitworth set to pay first dividend for six years

WITH PRE-TAX profits more than doubled in the year to the end of March 1985, Smith Whitworth, the textila mechinery manufacturer based in Rochdale, is proposing tn return to the dividend lists for the fist time in six years.

On turnover which increased by 95 per cent from £2.17m to £4.23m pre-tax profits were £100,100, compared with £49,400 for the previous year. As an Indication o fthe board's confidence in the future its is recommending a modest final payment of 0.25p, says Mr J. A. Barker, the chairman.

Most of the improvement was achieved by the Smith Engineering Projects subsidiary. It completed two substantial contracts in the U.S. for vinyl floorcovering handling machinery and made further progress In overseas markets.

Mr Barker says: "It ia remarkable that in three years since inception this company is now recognised as one of the foremost engineering companies In the specialised field of carpet and vinyl handling and long-term prospects are exciting."

Other companias in the group were less successful. Substantial progress was made by the general engineering companies, but overcapacity in the industry eroded margins and substantial losses were incurred.

He adds that despite the introdnction of new, sophisticated machinery and the bihgest level of quality control, market forces resulted in an inadequate return.

Losses were still belng made at tha Careful Cut specialist floorcovering distribtuion offshoot, which was set up two years ago. There has been advances and Mr Barker hopes that tha company will benefit in the near future.

The present year has started slowly and the results for the first half will be depressed. However the level of inquirias has increase daignificantly and, Mr Barker says, he is hopeful that the outcome for the year will be satisfactory.

The tax charge was £37,800, compared with £1,000 in 1983-84, leaving net profits at £62,3000 (£48,400). Earnings per 5p share came out at 1.5p, m increase of 30 per cent on the 1.15p of the pervious yaar.

Encouraging prospects for Consultants

Consultants (Computer & Financial) made a pre-tax profit of £158,527 in the first half of 1985. This represents e significant turnround from last year's comparable loss of £131,444 and was achieved on almost doubled turnover of £1.36m, against £714,464.

Mr Tim Simon, the chairman, of this City-based software house whose stockbroker clients account for around 35 per cent of Stock Exchange bargains, says the full year outlook is encouraging. Accordingly, the net interim dividend of this USM company is doubled to 2p per 5p share—last year's final was 0.15p.

The cbairman says the group's financial position is stronger than ever with a very bealthy working capital position, no debt, and net assets of almost 12p per share. With sucb a strong base, he says, the group expects to cootinue its growth by internal development, geographical expansion and acquisition.

Trading profits of the parent company amouoted to £239,731 (£40,819 losses). CCF (Hong Kong) and Payline Computer Services made losses of £89,000 (£95,791) and £229 (£2,061) respectively, while CCF Leasing profit was £8,925 (£7,247).

Tax this time took £113,000—the charga applies only to the group's UK companies and does not reflect any tax charges or credits arising from the activities of CCF (Hong Kong). Net profit was £45,527 (£131,444 deficit) and stated earnings per share cama to 0.37p (1.32p loss).

Mr Simon says the higb level of interest being expressed at the end of last year and mentioned in his review of 1984, has resulted in three new FISCAL contracts from stockbrokers Granfell & Colegrave, W. Greenwell & Co, and the recently announced record order from James Capel & Co.

Negotiations are also at an advanced stage with four other prestigious Londoo based securities bouses. As a direct result of the deregulation of the London Stock Exchange, tha company has found a more positive response from the market. This is expected to continue for the foreseeabla future. The chairman says this state of affairs was undoubtedly assisted by the decision of one of the company's major competitors to commence e progressive withdrewal from its involvement in this area.

A further indication of the company's high activity in the securities industry is tha record levels of consultancy billings to existing FISCAL users for continuing developments and enhancements to their systems, he adds.

Work continues on both the TIMS based Pension Fund projects — Britisb Rail and tba Imperial Group which was signed in February this year.

In Hong Kong, Mr Simon says the company has further cause for renewed optimism. Two local stockbrokers — Baring Far East Securities (Hong Kong) and James Capel (Far East) — have signed five year agreements to use its international FISCAL product provided within the new Exchange Square building. These are tha company's first new business ordar in Hong Kong for over 18 months and the board believes that initial difficulties are now well behind it.

The company is convinced that this, together with tha further potential business available, should secure its future in Hong Kong and serve as a solid springboard for further growth in South East Asia.

Consultants has exercised its option to acquire 49 per cent of tha share capital in RSB Systems with effect from July 1. RSB had a disappointing first half recording a loss of £37,161 before tax.

● comment

Because CCF's profits come through in large discreet lumps whose timing depends npon the signing and completion of contracts, the fact that these interim results were below City expectations is not necessarily a cause for concern. Two major completions and at least three large new signings should fall into the second balf, making it much better than the first. Nevertheless, this year and next will probably see the peak in new business as a direct spin-off from the closure of NatWest's Centre Fila computer bureau. Further ahead CCF will increasingly be dependent on new products and overseas markets for growth; but the results from Hong Kong show that it is not proving easy to turn that business around. However, the signing of the first contracts for e year and e balf may et last mean that credibility has been restored, and breakeven on a monthly basis looks possible by year end. As Hong Kong losses are not offsetable, the total tax charge may be as high as 55 per cent this year, and, assuming profits of £650,000, a prospective p/e of 18 et 53p looks on the high side.

Pearson U.S. purchase

Longman, the UK publisher, is to acquire Minnesota-based Golle and Holmes Financial Learning for $7.5m (£5.47m) in cash.

Longman, part of the Pearson group which publishes the Financial Times, has been increasing its activities in the U.S. in recent years.

Golle and Holmes, which is involved in the development of training programmes for the financial services industry in the U.S., will receive an initial payment of $6.7m when the deal is closed, and further tranches of $400,000 a year later, $250,000 two years later, and a final $150,000 three years after closing.

Laurence Gould ahead

Laurence Gould & Co., the USM quoted consultant in agriculture and agro-industries, improved pre-tax profits from £190,000 to £209,000 for the first half of 1985, on higher turnover of £2.99m, against a restated £2.82m.

Tax took £77,000 (£82,000) and stated earnings per 25p share were up from 5.22p to 6.23p. The net interim dividend is 1.4p (1.3p)—last year's total was 3.3p on £378,000 profits.

Tiphook shares close at small 4p discount

BY LUCY KELLAWAY

Dealings in Tiphook got off to e fairly firm start yesterday closing in thin trading at a small 4p discount to tha offer price of 110p.

The issue has been dogged with difficulties from the outset: first it was postponed as the market was not thought strong enough to take it, and subsequently was 85 per cent undersubscribed following a glaring arithmetical error in the prospectus.

● The other two newcomers started at small premiums, although trading in both was reported as being very slow.

Control Techniques which makes electronic drives for electric motors closed at 120p, 5p above tha issue price, an encouraging start given the denressed market for high technology stocks.

CCA Galleries, an offshoot of Christies International which sells limited edition prints, started quietly on the USM et a 1p premium at 81p.

Warehouse Gp. runs into loss: holds payment

Warehouse Group, the fashion bontique operator, has locurred e loss of £104,000 in the second half. This reduces the profit for the year ended March 31 1985 to £50,000, compared with £265,000. The dividend is held et 3.75p net.

Excluding VAT, turnover for the full year rose from £4.75m to £7m, and the gross profit moved up from £1.18m to £1.71m. However, operating expenses were £694,000 higher at £1.61m, and there was net interest payable of £51,000 (£1,000).

Fraser continues buying shares in Debenhams

BY MARTIN DICKSON

House of Fraser was yesterday believed to be buying more Debenhams shares to boost its holding above the strategically significant 25 per cent level.

When Burton clinched its victory on Friday, Fraser's stake stood at a little less than a quarter of Debenhams equity.

Topping this up to more than 25 per cent increases the potential nuisance value of the holding. At that level it can block any special resolutions put to shareholders on matters such as changes in the articles of association, reductions in capital and names changes.

However, market sources suggested that House of Fraser was buying selectively yesterday. This suggests either that it has yet to decide whether to carry its threat to go on buying up to 29.9 per cent or has decided not to do so.

In a statement on Sunday, House of Fraser hinted that it was more likely to accept Burton's cash or shares offer for its stake than to remain a minority shareholder. Analysts believe, however, it is likely to seek something in return for giving up its holding.

The Burton camp yesterday pointed out that holding on to the stake would have drawbacks for Fraser, tying up more than £130m of investment in a company which might not pay any dividends.

Meanwhile, the Takeover Panel is investigating the circumstances surrounding Burton's victory on Friday. There has been no formal complaint, but its move follows some critical press comment on the matter.

It is understood last night that the Panel's investigation so far indicated that no impropriety surrounded the climax of the bid.

Press attention had focussed on a block of 5.8m shares committed to Burton by independent clients of Cazenove, Burton's broker, and two other stockbrokers. These shares did not figure in Burton's acceptances by 3 pm on Friday, the closing time of its offer, which was leter extended to Sunday.

However, the Panel is understood to be satisfied that these shares had been lodged with Debenhams' regisrtars before 3 pm and had simply not reached the receiving bank by that time. There was no question of short-selling of shares.

Elders silent on Allied move

BY ANDREW ARENDS

Elders IXL, the Australian finance to brewing conglomerate, declined to comment yesterday on weekend Press reports that it was "preparing to enlarge its holding in UK brewer Allied-Lyons from an estimated 4.6 per cent to 10 per cent at a cost of more than A$200m (£100m).

Elders owns Carlton and United Breweries, Australia's biggest brewer.

The move, if confirmed, would give Elders useful levereage in Bond Corporation's current A$1bn takeover offer for Castlemaine Tooheys, Australia's second largest brewer, in which Allied-Lyons is the biggest shareholder, with 24.7 per cent. Bond already controls about 18 per cent of Castlemaine Tooheys.

Last night Sir Alex Alexander, Allied-Lyons vice-chairman said that the company had no evidence of the 4.6 per cent stake Elders claims to have in it. He said that there had been no contact with Elders about the matter, and that Allied-Lyons was unable to make a coment on the reports of the Australian group's intentions.

Bell's delays defence document

By David Goodhart

THE HOTLY contested £300m take-over bid by Guinness for the Scotch whisky distiller, Arthur Bell and Sons, took an unusual turn last night when Bell decided not to make its formal defence document widely available until today.

Under Take-over Panel rules, any profits forecast—which will form a central part of the Bell document—must be released within 39 days of the offer document going out, a period which ran out at midnight last night.

Just before midnight, Bell officially released the document to the Stock Exchange, the Take-over panel and Guinness's advisers. The press will receive copies today.

This unexpected 24 hour delay in the general release of the defence document again underlines the acrimonious nature of the battle. Bell said last night that it had held back general release in an attempt to undermine Guinness's third acceptance deadline which is today. The logic appears to be that Guinness will not have time to respond fully to the Bell document.

Guinness, however, has seized upon the delay as evidence that Bell had "lost its way" and has had to reprint the document at the last moment possibly because of a boardroom row.

Country and New Town sells major Paris property

Country and New Town Properties has sold the Colgate-Palmolive building in La Defense, Paris, to e French pension fund for FFr 131m (£11m) cash. The building at 55 Boulevard De La Mission Marchand provides 120,000 sq ft of office space and is let to Colgate-Palmolive at an annual rent of FFr 10m (£840,000).

It was purchased in 1972 by Country and New Town's French subsidiary, Societe d'Investissements et de Promotion Immobiliere, which arranged a pre-letting of the new building to Colgate-Palmolive, for use as its European headquarters.

The sale price is believed to be double the original acquisition cost.

Country and New Town said that net sale proceeds of about £7m will be used to acquire investment properties in the Paris area. The company already owns several office, retail and residential investments in the city's Clichy district.

St Piran selling its 79% stake in Milbury

Mr Jim Raper's St Piran group yesterday announced that it has entered serious negotiations for the sale of its 78.7 per cent stake in Milbury, the troubled housebuilding and property group.

Milbury's share price—which hit a high of 92p at the beginning of July—has suffered badly in recent weeks as news of problems with house sales and over-purchase of building land has trickled out. The company's share price rose 5p yesterday to close at 35p—capitalising it at just over £4m.

Milbury's brokers, Foster and Braithwaite, said yesterday that the company had been hit by high interest and mortgage rates—like most building companias.

Mr Raper has had approaches from several companies in recent days and although no final price has yet been agreed it is now certain that Milbury will be sold. The likelihood is that it will be broken up and de-listed. The Westminster Group—acquired by Milbury in 1983—is also set to be sold.

Rights & Issues

Rights and Issues Investment Trust raised net asset value as at June 30 1985, to 118.9p per 25p capital share and to 50.3p per 25p income share. These figures compared with 109.4p and 48.4p respectively a year earlier.

For a reminder of some others turn to page 3.

CONTRACTS

Winnersh Triangle business complex

Further building work at the Winnersh Triangle business park, adjacent to the M4 near Reading, has been awarded to WIMPEY CONSTRUCTION UK (LONDON) by Wimgrove Investments. The latest contract, valued at £4.6m, concerns construction of a single-storey warehouse complex of 6,500 sq metres, and two-storey office accommodation of 2,800 sq metres, together with adjoining two-storey energy centre and associated external works. Work on the project, known as Block B, is due for a two-stage completion in May and August 1986. Wimpey is also completing construction, at Winnersh, of one of the Post Office's new generation of highly-mechanised parcels concentration offices.

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PHB WESERHUTTE AG of West Germany has been awarded, through its UK subsidiary, PHB Weserhutte Ltd, a contract by Tate & Lyle Refineries for the design, manufacture, erection and commissioning of what is believed to be Europe's first continuous ship unloader to be operating on raw sugar. The project, including installation, will cost £2.3m. The unloader will be installed at the Tate & Lyle Thames refinery jetty in London and will replace two existing grab cranes. The machine will be designed to unload all types of raw sugar including sticky material with minimum free-flowing characteristics, as well as dealing with sugar that may have hardened during transportation, from ships ranging in size from 3,000 to 25,000 dwt, including 'tween deckers, at a guaranteed unloading rate of 800 tonnes per hour. The machine will be capable of unloading at a peak rate of 1,000 tonnes per hour. The equipment is due to be commissioned in October 1986.

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SOFTWARE SCIENCIES has been awarded a contract by Thorn EMI International Rentals worth over £130,000. The projects involve initially undertaking a study to produce a computer strategy and functional requirements specification. The second phase will determine the method of best achieving the requirements specification.

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LOVELL CONSTRUCTION (NORTHERN) has been awarded a contract worth £2m for refurbishment work on Lloyds Bank regional head offices in Manchester. The building is at 53 King Street/38 Cross Street and work comprises extensive internal refurbishment including renewal of mechanical and electrical engineering services. The Grade II listed building will remain in operation throughout. The contract is a complicated multi-phase refurbishment on a 52 week programme. Detailed work includes cleaning of marble surfaces in the main banking hall and redecoration of the very ornate ceiling.

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A £2.4m contract to build the Brigstock bypass on the A6116 near Corby has been won by MOWLEM NORTHERN, Doncaster. Being undertaken for Northamptonshire County Council, work comprises construction of 2.4 km (1.5 miles) of 7.3-metre single carriageway with 8,400 metres of drainage and two bridges. There will be one 16.5 metre span road bridge, with a pre-cast concrete slab on freestanding concrete abutments and one 33 metre span in situ reinforced concrete footbridge. Work has started, for completion in autumn 1986.

ANGLIAN BUILDING PRODUCTS, a Norcros Group company, has received orders worth £6m. The largest (£2.3m) has come from contractor Mowlem Management. It involves design, supply and installation of granite faced panels at Beaver House, adjacent to Mansion House underground station. Norwich-based Anglian has also received orders, together worth £1.1m for precast concrete structural frames at two new Tesco Superstores in Northampton and Plymouth. A near £1m contract has been won from Henry Boot for the design, manufacture and installation of precast concrete frames and flooring for a nine-storey hotel in Paradise Circus, Birmingham. An unusual project for Anglian is the supply of £400,000-worth of sculptured fascia panels to be used on the southern approach road to the Dartford Tunnel from Peter Birse. Further contracts for the design, manufacture and installation of large reinforced concrete fascia panels for projects in Berkshire, valued at over £1m have also been secured by Anglian.

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WILTSHIER TONBRIDGE is starting work on six contracts with a total value of £1.3m in Kent, Surrey and London. In Maidstone's Pudding Lane it will be altering and fitting-out the Habitat Store for the design group of Habitat Mothercare. The tender sum was £335,000. At the Pantiles in Tunbridge Wells for Speyhawk Land and Estates in Phase A of Speyhawk's overall Pantiles project, Wiltshier is erecting a terraced block of one- and two-storey craft studios in Sussex Mews at a price of £150,000. In Tonbridge, the company is fitting out the new Boots store in The Pavilion. Contract will be finished in 17 weeks. For Hartland Properties, Wiltshier is re-furbishing offices at 45 Church Street, Reigate, for £104,000. Presto Food Market in Camberwell Green is to be fitted out for Argyll Stores (Properties) at a price of £587,397. Work has started and is expected to be completed in 14 weeks.

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VAUGHAN SYSTEMS & PROGRAMMING has been awarded a contract, valued at more than £300,000, from British Rail Southern Region to supply and install public display systems at Waterloo and London Bridge stations. The heart of the system is a Winchester-drive based Vaughan 4M microprocessor system that stores pages of free format text. Up to 10 pages may be selected for display on any of the displays and cycled continuously. Up to three operators' VDUs are provided for page generation and selection and one VDU has a floppy drive facility for archiving of the page library. The TV displays utilise the 4M digital to video converter module already being supplied for London Midland Region stations.

★

BRUYNZEEL STORAGE SYSTEMS has been awarded a contract valued at around £1m, for the installation of a specially designed "MontaMobile" closing aisle storage complex at the National Library of Scotland's new Causewayside Building, Edinburgh. The system will be installed on three levels below and four levels above ground. Some 7 km (4.3 miles) of the special floor rail will be installed throughout, with two-and-a-half complete floors of the area given over immediately to the Bruynzeel "MontaMobile" closing aisle book storage system, and all of level five, which will house the Scottish Science Reference Library, provided with static library shelving, using shelf components compatible with the mobile installation. This will enable the static areas to be converted, as needs arise, to high density MontaMobile, without major disruption or building works.

LADBROKE INDEX
939-943 (−3)
Based on FT Index
Tel: 01-427 4411

UK COMPANY NEWS

Substantial all round growth at Peel Hldgs.

AN ADVANCE of £1.36m to £3.31m in pre-tax profits is reported by Peel Holdings for the year ended March 31 1985: The dividend is raised from 7.35p to 8p net, and the directors view the current year with optimism.

In late 1984 Peel, which is engaged in property investment, development and management, took over Bridgewater Estates by the issue of 2.7m preference and 5.94m ordinary shares, which rank for this year's dividend. The results relate to the enlarged group using merger accounting principles for both years.

At the balance sheet date the asset value had grown from 256p to 340p per share, inclnding land held for development and listed investments at cost. The open market value of those assets is £5.3m greater than cost; and this is equivalent to an increase of 37p per share, giving a pre-tax asset backing per ordinary share of 377p.

Turnover in 1984-85 grew by £1.6m to £6.11m. Interest and similar charges were well np et £1.44m, against £646,000.

Mr John Whittaker, the chairman, says continued growth is expected by virtue of the fuature retail development programme; a valuation of the retail property portfolio to be carried out next year which is expected to yield a substantial surplus; further lettings oo industrial property; the expansion of residential property development; and planning gain on agricultural holdings.

Next year the first reot reviews on the superstore portfolio will take place, and these will provide continuing income growth in future. The primary objective of the company is to expand in the field of edge of town retail development and investment—"an exciting growth sector of the market."

Peel is also a leader in the development of non-food retail parks comprising complementary stores io each of the various trades. Mr Whittaker says the company intends to become more aggressive and to increase its efforts in this area to take a bigger share of the nvailabale market.

When all current developments are completed the retail property portfolio will total 950,000 sq ft.

The chairman tells shareholders that the industrial property portfolio contributed substantially towards profits. Its rental income is almost £1.3m per annum and the refurbishmeot, which is almost complete, is expected to yield an extra £300,000 annually in the near future.

In residential housing it is intended to continue building larger high quality homes, which carry better margins.

Further medium-term loans have been takeo out. The directors believe that interest rates will continue to decline during 1985 aod when they reach the required level, medium-term loan facilities with variable interest rates will be replaced with long-term fixed interest rate finance.

Earnings for 1984-85 are shown at 20.61p (12.7p) after a tax charge of £225,000 (£248,000). The final dividend from the company, which is cootrolled by the Manx-based Largs, is 5.5p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: M.T.O. (Manguts), Rotork.
Finals: David Dixon, Hambro Currency Fund, Hambro Trust, Radiant Metal Finishing, Unitech.

FUTURE DATES

Interims—	
BBA	Aug 15
Bowater Industries	Sept 11
Good Relations	Aug 15
Phicom	Aug 14
Relyon	Aug 9
Ryan International	Aug 14
Final—	
Energy Capital	Aug 12

Clogau Gold Mines loses two of its chiefs

By Kenneth Marston, Mining Editor

THE RESIGNATION is announced of Lord King of Wartnaby as chairman of Clogau Gold Mines, which is exploring the old Clogan St David's gold mine in Gwynedd, North Wales. He succeeded the late Lord Harlech earlier this year and is to take up the appointment as deputy chairman of the Royal Ordnance Factories.

A new chairman is expected to be appointed in the next few days.

Meanwhile Mr Charles Wyatt has resigned as managing director. He will continue as a consultant to the company.

Shares of Clogau Gold Mines were placed et 30p on the Unlisted Securities Market in Juoe 1984. This raised a little more than £2m for exploration and development of the old mioe, of which about £300,000 has been spent so far. The shares closed yesterday at 25p.

Results for the yenr to last March are expected next month hut as production has not begun the company has not made e profit.

The original cepital-raising was based on a two-year view of prospects fnr reviving the mioe, which opened in the middle of the last century and produced more than 84,000 oz of gold.

COMPANY NEWS IN BRIEF

BURGESS PRODUCTS (HOLDINGS) is closing its mild steel replacement silencer business which has been losing money for several years. It accounted for about 10 per cent of gronp turnover of £25m. The size of supporting services and establishment is also being reduced.

PRESTWICH HOLDINGS says directors' entitlements amounting to 1,468,002 new shares (52.7 per cent) pursuant to recent rights issue have all heen placed with institutions. Mr J. McPhail has taken up 1,000 shares and he now holds 12,000. Interests of all other directors are unaltered.

UNIGATE AUSTRALIA has agreed to sell its three Australian milk manufacturing plants to Drouin Co-operative Butter Factory. These olants will continne to supply milk orodocts to Unigate Australia. The value of the assets being disposed of is not disclosed, but it is below 5 per cent of Unigate's oet assets. Unigate Australia has also set up a joint venture company with Drouio to be called Cheese Manufacturers Pty. This comoany will orodnce a range of cheeses to be marketed hy both Unigate Australia and Drouin.

VANTONA'S offer for Nottingham Manufacturing has been declared uncooditional in all respects and remains open. Acceptances have been received in respect of 67.6m Nottingham shares (86 per cent).

BROWNLEE has acquired from Taylor Clark the share capital of W. Lang (Paisley) for a cash price of £700,000. Taylor Clark is a wholly-owned subsidiary of the Equity Trust, a private investment. Lang is a Paisley-based timber merchant, which according to its aodited accounts at March 29 1985 had net assets at a book value of £807,000.

CANTORS has acquired J. H. Taylor and Sons, a privately-owned retail furnisher based in Wakefield, Yorkshire, for £630,000 cash—to be satisfied from existing resources. Taylor's oet assets at May 31, 1985 were £668,791 and it made a pre-tax loss of £75,691 in the year ended oo that date.

SCAPA'S offers for United Wire have become unconditional in all respects and will remain open until further notice. The cash alternative will remain open for acceptance ontil 3 pm on August 16. The underwritten cash alternative has now closed and Scape will provide funds from its own resources in respect of acceptances for the cash alternative received up to August 16. Acceptances have been received in respect of 6,788,086 ordinary (83.53 per cent) and 36,614 preference (56.33 per cent). Elections for the cash alternative were received in respect of 4,269,877 ordinary (52.54 per ceot). Scapa now owns or has received acceptances in respect of 7,685,586 ordinary (94.57 per cent) and 36,614 preference (56.33 per cent).

HILL, THOMSON & Co., the blender and bottler of Scotch whisky ultimately owned by Seagram of Canada, saw pre-tax profits rise slightly in the year to March 31 1985, from £1.34m to £1.49m. Turnover, excluding duty, was up from £7.84m to £9.82m and the tax charge came to £238,000 (£220,000).

ANGLIA TV has agreed to sell 160,000 of the 358,879 shares it holds in East Anglia Securities Holdings to Suffolk Securities. This will leave Anglia TV with a 19.1 per cent holding lo EASH, and the latter will no looger be treated as an associate.

Consideratioo is £1 per share or, at the electioo of either Suffolk or Anglia TV, a price 30 per cent below oet asset value of EASH at end 1986, payable as to 50p (oon-returnable) on completion and the balance oo January 31 1987. The sale is conditional on completioo of the sale by EASH of its subsidiary, East Anglia Securities Trust.

AMEY ROADSTONE CORPORATION, the £600m turnover construction and building materials group, is in negotiations over the possible acquisition of United Brick the manufacturer of concrete bricks and paving stooes based near Wrexham in North Wales.

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information to the public with regard to the Stock to be issued by the Commonwealth of Australia ("Australia"). Australia has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. Australia accepts responsibility accordingly.

Dated 6th August, 1985

Commonwealth of Australia

Issue on a yield basis of

£100,000,000 Loan Stock 2012

payable as to £30 per cent. of the principal amount on application and as to the balance for value not later than 9th January, 1986 with interest payable half yearly on 14th April and 14th October

The issue has been underwritten by

S. G. Warburg & Co. Ltd.

Baring Brothers & Co., Limited
Hill Samuel & Co. Limited
Morgan Grenfell & Co. Limited
County Bank Limited
Kleinwort, Benson Limited
J. Henry Schroder Wagg & Co. Limited

Application has been made to the Council of The Stock Exchange for the £100,000,000 Loan Stock 2012 (the "Stock") to be admitted to the Official List for quotation in the Gilt-edged market.

The Stock will be available either in registered form ("Registered Stock"), or, at the option of the holder, in bearer form ("Bearer Stock"), represented by bearer bonds ("Bearer Bonds") which will be available in the denomination of £5,000. Renounceable allotment letters (partly paid) in respect of the Stock will be issued on Wednesday, 14th August, 1985. Certificates in respect of Registered Stock and Bearer Bonds in respect of Bearer Stock will be available on 10th February, 1986 provided the balance of the moneys payable has been duly paid.

PROCEDURE FOR APPLICATION

Each application for Stock must be made in the form of the application form provided herewith and must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL (the "Receiving Bank") not later than 10.00 a.m. on Thursday, 8th August, 1985 and must comply with the provisions of "Terms of Payment in Respect of Applications" below.

Applications for Stock must be for a minimum of £100 principal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	Multiple
Up to £1,000	£100
£1,000 to £10,000	£1,000
£10,000 to £100,000	£10,000
£100,000 or greater	£100,000

S. G. Warburg & Co. Ltd., on behalf of Australia, reserves the right to reject any application and to accept any application in part only. If any application is not accepted the relevant application form and the amount paid thereon will be returned by post at the risk of the person submitting the application and, if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned without interest, and in the meantime all such amounts will be held in a separate account.

Attention is drawn to the fact that the Stock is not being offered or sold in the Commonwealth of Australia or to residents thereof in connection with the initial distribution of the Stock (other than to foreign branches of banks or financial institutions which are resident in Australia) and that application forms contain a representation that applicants are not so resident.

S. G. Warburg & Co. Ltd., on behalf of Australia, will announce the basis of allotment by 9.30 a.m. on Friday, 9th August, 1985. It is expected that confirmation of allotments will be despatched on that day. Acceptances of applications for Stock will be conditional *(inter alia)* upon the Council of The Stock Exchange admitting the Stock to the Official List on or before Wednesday, 14th August, 1985 (see "General Information — Underwriting Arrangements" below).

THE APPLICATION LIST WILL OPEN AT 10.00 A.M. ON THURSDAY, 8TH AUGUST, 1985 AND WILL CLOSE LATER ON THE SAME DAY.

TERMS OF PAYMENT IN RESPECT OF APPLICATIONS

Each application, unless made by a recognised Bank or Stockbroker taking advantage of the alternative method of payment described below, must be accompanied by a cheque made payable to "Lloyds Bank Plc" and crossed "Australia Loan", representing payment at the rate of £30 per cent. of the principal amount of Stock applied for. Such cheques must be drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

The alternative method of payment is available only to recognised Banks or Stockbrokers, in respect of payments of £50,000 or more, who irrevocably engage in the application forms lodged by them to pay the Receiving Bank in Town Clearing Funds for credit to the account designated "Australia Loan" by 10.00 a.m. on Wednesday, 14th August, 1985 the amount representing payment at the rate of £30 per cent. of the principal amount of the Stock in respect of which their applications shall have been accepted.

S. G. Warburg & Co. Ltd., on behalf of Australia, reserves the right to instruct the Receiving Bank to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' remittances.

The balance of the amount payable on the Stock allotted must be paid so as to be received for value not later than 9th January, 1986. Any amount paid in advance of its due date shall not bear interest or be entitled to any other payment.

Failure to pay the balance on any Stock when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of two per cent. above the Base Rate for the time being of the Receiving Bank may be charged on such balance if accepted after its due date. Australia further reserves the right, in default of payment of such balance, to sell any such Stock fully paid for its own account.

The expression "recognised Bank or Stockbroker" shall mean any organisation which is a recognised bank for the purposes of the Banking Act 1979 and any firm of stockbrokers which is a member of The Stock Exchange and such other banks or brokers as S. G. Warburg & Co. Ltd., on behalf of Australia, shall at its absolute discretion think fit for the purposes of the issue.

The expression "Town Clearing Funds" shall mean a cheque or banker's payment for £50,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

DELIVERY

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched not later than Wednesday, 14th August, 1985 by first class post to, and at the risk of, the person submitting the application in accordance with the instructions stated on the application form. Alternatively, a recognised Bank or Stockbroker (as defined above) using the alternative method of payment may, by ticking Box A on the application form, request that the renounceable allotment letter be retained at Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL for collection between 3.00 p.m. and 5.00 p.m. on Wednesday, 14th August, 1985. Any uncollected allotment letters will be despatched by first class post as above.

Allotment letters may be split up to 3.00 p.m. on 7th January, 1986 in accordance with the instructions contained therein into denominations or multiples of £100 principal amount of Stock.

Unless a duly renounced fully paid allotment letter with the registration application form duly completed is received by the Receiving Bank on or before 9th January, 1986, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Registered Stock will be transferable only by instrument of transfer.

Allotment letters will provide for holders of Stock to elect to take delivery of Bearer Stock instead of Registered Stock. Each holder of Stock who elects in the allotment letter to receive Bearer Stock may elect to receive the Bearer Bonds representing the same in one of the following ways:—

(a) by collection from the offices of Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL or Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA; or
(b) by post, at the risk of the applicant; or
(c) by delivery to an existing account with Euro-clear or CEDEL.

Bearer Bonds are expected to be available for delivery on and after 10th February, 1986.

Stock certificates will be despatched on 10th February, 1986 at the risk of registered holders of Stock to each registered holder (or in the case of joint holders to the first-named) at his registered address. After that date, allotment letters will cease to be valid for any purpose.

No Stock certificate and no Bearer Bond will be made available unless the relevant Stock is fully paid.

INFORMATION RELATING TO THE ISSUE

The issue of the Stock was authorised by the Governor-General of Australia acting with the advice of the Federal Executive Council on 30th July, 1985 pursuant to the Australian Constitution, Financial Agreement, Financial Agreement Act 1928, Financial Agreement Validation Act 1929, Financial Agreement Act 1976, the May 1985 Resolution of the Australian Loan Council, Loans Securities Act 1919, Acts Interpretation Act 1901 and Housing Assistance Act 1984 and the Stock will be constituted by a Deed Poll to be dated 14th August, 1985 executed by Australia and deposited with Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL, and holders of the Stock will be deemed to have notice of and will be bound by its terms.

Status

The Stock will constitute a direct, unconditional and general obligation of Australia and the full faith and credit of Australia will be pledged for the due and punctual payment of the principal and interest in respect of the Stock and for the due and timely performance of all obligations of Australia with respect thereto.

The Stock will be unsecured and will rank *pari passu* with all other unsecured Indebtedness (as that term will be defined in the Deed Poll) of Australia from time to time outstanding.

Form and Transfer

The Stock will be available either in the form of Registered Stock or, at the option of the person entitled thereto, in the form of Bearer Stock. On or after 11th February, 1986, and subject to the terms and conditions of the Stock, Registered Stock may be exchanged in principal amounts of £5,000 or integral multiples thereof for Bearer Stock and vice versa. Bearer Stock will be represented by Bearer Bonds in the denomination of £5,000 each and, subject as aforesaid, on issue, interest coupons ("Coupons") will be attached to each Bearer Bond in respect of each interest payment date for which the Record Date (as defined in "Payments" below) is on or after the date of issue of such Bearer Bond.

Lloyds Bank Plc has been appointed Registrar of the Registered Stock (the "Registrar" which expression includes its successor for the time being) which will be transferable in multiples of one penny by an instrument in writing in the same manner as if the Registered Stock were a security to which Section 1 of the Stock Transfer Act 1963 of Great Britain applied. Bearer Bonds will be transferable by delivery.

Determination of Rate of Interest and Issue Price

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a gross redemption yield determined on the basis described below (the "Issue Yield").

The Issue Yield shall mean the sum of 0.45 per cent. and the gross redemption yield, rounded to three places of decimals (with 0.0005 being rounded upwards), on 13½ per cent. Treasury Stock 2004-08 at 3.00 p.m. on Wednesday, 7th August, 1985, the price cum dividend of such Treasury Stock to be determined by S. G. Warburg & Co. Ltd. to be the arithmetic mean of the bid and offered prices quoted on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market. The gross redemption yield will be expressed as a percentage and will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Vol. 105, Part 1, 1978, Page 18.

The rate of interest attaching to the Stock will be determined by S. G. Warburg & Co. Ltd. and will be an integral multiple of one eighth of one per cent. and will be as high as possible consistent with an issue price as near as possible to, but not less than, £26.50 per cent. The issue price will also be determined by S. G. Warburg & Co. Ltd. and will be expressed as a percentage rounded to three places of decimals (with 0.0005 being rounded upwards).

It is intended that notice of the Issue Yield, rate of interest and issue price will be published in the *Financial Times* on Thursday, 8th August, 1985.

Interest

The Stock will bear interest from 14th August, 1985 at a rate per annum to be determined in accordance with "Determination of Rate of Interest and Issue Price" above. Interest on the Stock will be payable by equal half yearly instalments on 14th April and 14th October in each year except that the first payment of interest in respect of the period from (and including) 14th August, 1985 to (but excluding) 14th April, 1986 will be paid on 14th April, 1986 and will be calculated using the following formula:—

$$£I = \left(\frac{148}{365} \times \frac{30}{P} \times R\%\right) + \left(\frac{95}{365} \times R\%\right)$$

where £I is the first payment of interest on £100 principal amount of Stock;
R is the percentage rate of interest attaching to the Stock; and
P is the issue price.

Payments

In the case of Registered Stock, payments of principal and interest will be made in pounds sterling by cheques or warrants drawn on a Town Clearing Branch of a bank in the City of London, which will be sent not later than the due date for payment thereof, at the risk of the persons entitled thereto, by post to the persons registered as Stockholders at the close of business on the relevant Record Date or to their nominated agents for their account. "Record Date" shall mean the thirtieth day before the relevant interest payment date or, if this is not a day on which the specified office of the Registrar is open for business, the first such day thereafter.

In the case of Bearer Stock, payments of principal and interest will be made, subject to the provisions of the Deed Poll, against surrender of Bonds or, as the case may be, Coupons at any specified office of any Paying Agent by sterling cheque drawn on, or at the option of the holder (if surrender is made at a specified office out in London), by transfer to a sterling account maintained by the payee with, a bank in the City of London, subject to any fiscal or other laws and regulations applicable thereto and to normal banking practice. The initial Paying Agents and their specified offices are: Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL, Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium, and Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, P.O. Box 1108, Luxembourg.

Redemption

Unless previously forfeited or purchased and cancelled, Australia will redeem the Stock at par on 14th October, 2012.

Australia may at any time purchase Stock through the market or by tender (available to all Stockholders alike) at any price or by private agreement at a price (exclusive of expenses and accrued interest) which, if the Stock is then listed on The Stock Exchange, shall not exceed the average of the middle market quotations taken from The Stock Exchange Daily Official List for the 10 business days last preceding the date of purchase or, in the case of a purchase through the market, at the market price provided that such price is not more than 5 per cent. above such average, but not otherwise.

Australia will be entitled to hold and deal with Stock purchased in accordance with the terms of this paragraph, which may be cancelled or not as Australia thinks fit.

FURTHER ISSUES

If Australia wishes to issue further stock so as to form a single issue with the Stock, it shall be at liberty to constitute such further stock by a supplemental Deed Poll on terms that it shall be consolidated and form a single issue with the Stock.

USE OF PROCEEDS

The net proceeds of the issue of the Stock will be added to Australia's International reserves. The Australian currency equivalent of the net proceeds will be used for general financing purposes of Australia.

STOCK EXCHANGE DEALINGS

The Stock in both registered and bearer form will be dealt in on The Stock Exchange in the Gilt-edged market and will normally be traded for settlement and delivery on the dealing day after the date of the transaction. The price of the Stock will be quoted inclusive of accrued interest.

It is expected that dealings on The Stock Exchange will begin on Friday, 9th August, 1985 without documents of title and at seller's risk for deferred settlement on Thursday, 15th August, 1985. Dealings prior to receipt of allotment letters will be at the applicant's risk. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.

CURRENT TAXATION

Australia

All payments of principal and interest on the Stock will be made without withholding or deduction for or on account of, and shall be free of, any present or future taxes, duties, fees, or other charges imposed or levied on the Stock or any holder thereof by or on behalf of Australia or any political sub-division or taxing authority thereof or therein. The foregoing shall not apply to payments to or for the benefit of any resident of Australia or of any of the Australian Territories of Norfolk Island, Cocos (Keeling) Islands or Christmas Island.

United Kingdom

The statements below are based on current law and Inland Revenue practice.

United Kingdom income tax at the basic rate (currently 30 per cent.) will be deducted from interest paid on Registered Stock. Holders of Registered Stock who are not resident in the United Kingdom for tax purposes may apply for exemption from this tax by sending a form A3 to the Inspector of Foreign Dividends.

Such income tax will also be deducted from interest paid on Bearer Bonds by the United Kingdom Paying Agent unless a declaration can be made, in the form required by the Inland Revenue, that the holder is the beneficial owner of the interest (and the interest is not deemed to be the income of a resident of the United Kingdom for tax purposes) and of the Bearer Bond and is not resident in the United Kingdom for tax purposes.

There are certain exceptions to the above where interest is paid to banks or where interest on Registered Stock is paid directly abroad.

Paying Agents outside the United Kingdom will not deduct United Kingdom income tax from interest on the Bearer Bonds. However, where any person in the United Kingdom obtains payment of interest on the Bearer Bonds on behalf of the holder, that person will deduct United Kingdom income tax unless a declaration can be made in the form required by the Inland Revenue that the holder is the beneficial owner of the interest and of the Bearer Bond and is not resident in the United Kingdom for tax purposes and provided that the interest is not deemed to be the income of a resident of the United Kingdom for tax purposes.

The Stock will be a qualifying corporate bond for the purposes of United Kingdom tax on capital gains. Under the Finance Act 1985, no gain or loss for the purposes of such tax will be realised on any disposal of the Stock on or after 2nd July, 1986, and no indexation allowance will be given on any disposal of the Stock effected before that date.

The Stock will not be a deep discount security within the meaning of Section 36 of the Finance Act 1984 for the purposes of United Kingdom tax on income. Notwithstanding that the issue price of the Stock may be below its nominal value, no part of that nominal value paid on redemption of the Stock pursuant to the paragraph headed "Redemption" under "Information Relating to the Issue" above will be treated as subject to United Kingdom tax as income (except where the recipient is a person holding the Stock as a dealer for United Kingdom tax purposes). On a disposal of the Stock in the open market by a holder of the Stock (other than a disposal by a person holding the Stock as a dealer for United Kingdom tax purposes but including any disposal by any other person on a purchase made by Australia pursuant to the paragraph headed "Redemption" under "Information Relating to the Issue" above), no part of the disposal proceeds received will be subject to tax as income (save for any amount which the new rules introduced by the Finance Act 1985 may treat as representing interest accrued on the Stock in the interest period when the disposal takes place).

STAMP DUTY

Transfers of Stock are free of United Kingdom stamp duty.

INVESTMENT STATUS

Trustee Status

Registered Stock, when listed, will be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Investment by trustees in bearer bonds is subject to the provisions of section 7 of the Trustee Act 1925.

Insurance Company Status

The Stock will be within the meaning of "approved securities" under Part V of The Insurance Companies Regulations 1981.

GENERAL INFORMATION

Underwriting Arrangements

By a Subscription Agreement dated 5th August, 1985, S. G. Warburg & Co. Ltd., Baring Brothers & Co., Limited, County Bank Limited, Hill Samuel & Co. Limited, Kleinwort, Benson Limited, Morgan Grenfell & Co. Limited and J. Henry Schroder Wagg & Co. Limited (the "Underwriters") have agreed with Australia to underwrite the issue of the Stock. The Subscription Agreement is subject to certain conditions and S. G. Warburg & Co. Ltd., on behalf of the Underwriters, may in certain circumstances terminate the Subscription Agreement. If the Subscription Agreement is so terminated or the Subscription Agreement does not become unconditional, no application for the Stock will be accepted or, as the case may be, acceptances of applications for the Stock will become void.

Australia has agreed to pay to the Underwriters commissions aggregating £1.25 per £100 principal amount of Stock for their services as managers and underwriters of the issue out of which will be paid commissions to the brokers to the issue, Rowe & Pitman and Phillips & Drew, and certain other persons who have accepted offers, made on behalf of Australia, of underwriting participations in respect of the issue of the Stock. Australia will also pay brokerage of 12½p per £100 principal amount of Stock to recognised Banks or Stockbrokers on allotments made in respect of applications on forms bearing their stamp; this commission will not, however, be paid in respect of any allotment which arises out of any underwriting commitment. The total expenses of the issue (including the above-mentioned commissions but excluding brokerage) are estimated to amount to £1,340,000 and are payable by Australia.

Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Coward Chance, Royex House, Aldermanbury Square, London EC2V 7LD during normal business hours until 23rd August, 1985:—

(i) the Subscription Agreement referred to above;
(ii) a draft, subject to modification, of the Deed Poll referred to above; and
(iii) extracts from the following statutes and other documents relating to the issue of the Stock: Australian Constitution, Financial Agreement, Financial Agreement Act 1928, Financial Agreement Validation Act 1929, Financial Agreement Act 1976, Certificate as to the May 1985 Resolution of the Australian Loan Council (signed by the Secretary thereof), Loans Securities Act 1919, Acts Interpretation Act 1901, Housing Assistance Act 1984 and a certified copy of a Federal Executive Council Minute containing recommendations approved on 30th July, 1985 by the Governor-General of Australia acting with the advice of the Federal Executive Council.

General

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not contained herein must not be relied upon as having been authorised by Australia or by any of the Underwriters. This Prospectus does not constitute an offer to sell or solicitation of an offer to buy the Stock in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

The principal of and interest on the Stock will be payable from the Consolidated Revenue Fund of Australia.

Application will be made to Euro-clear and CEDEL for Bearer Stock to be accepted for clearance.

Copies of the Prospectus and application form may be obtained from:—

The Australian High Commission, Australia House, The Strand, London WC2B 4LA.
S. G. Warburg & Co. Ltd., 33 King William Street, London EC4R 9AS.
Rowe & Pitman, 1 Finsbury Avenue, London EC2M 2PA.
Phillips & Drew, 120 Moorgate, London EC2M 6XP.
Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL.
Lloyds Bank Plc, 131 George Street, Edinburgh EH2 4LQ.
Company Announcements Office, The Stock Exchange, London EC2P 2BT (until 8th August, 1985).

APPLICATION FORM

The application list will open at 10.00 a.m. on Thursday, 8th August, 1985, and close later on the same day.
This form must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL.

COMMONWEALTH OF AUSTRALIA

Issue on a yield basis of £100,000,000 Loan Stock 2012

Payable as follows: On application £30 per cent. and as to the balance for value not later than 9th January, 1986.

To: S. G. Warburg & Co. Ltd., on behalf of Australia.

In accordance with the terms of the Prospectus (the "Prospectus"), dated 6th August, 1985, I/we request you to allot to me/us Stock as set out below:

Principal amount of the Stock applied for	Amount enclosed at £30 per cent. of the principal amount applied for
£ ·00	£ ·00

Note: Applications for Stock must be for a minimum of £100 principal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	*Multiple*	*Amount of Stock applied for*	*Multiple*
Up to £1,000	£100	£10,000 – £100,000	£10,000
£1,000 – £10,000	£1,000	£100,000 or greater	£100,000

I/We enclose a cheque* in the amount set out in the right hand box above.

I/We undertake to accept the amount of Stock applied for or any lesser amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the Prospectus.

I/We confirm that I/we am/are not resident(s) of the Commonwealth of Australia.**

I/We request that any letter of allotment in respect of the Stock allotted to me/us be sent to me/us (unless the alternative method of payment is being used and Box A is ticked) by first class post at my/our risk at the address shown below. In consideration of Australia agreeing to allot the Stock on and subject to the terms and conditions of the Prospectus and of the Subscription Agreement referred to therein, I/we agree this application shall be irrevocable until Thursday, 15th August, 1985 and that this sentence shall constitute a collateral contract between Australia and me/us which shall become binding upon despatch and delivery of this application form to Lloyds Bank Plc. I/We understand that the completion and delivery of this form accompanied by my/our cheque constitutes a representation that my/our cheque will be honoured on first presentation. I/We hereby engage to pay the balance payable on the Stock for value not later than 9th January, 1986 on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation and that interest at the rate of two per cent. above the Base Rate for the time being of Lloyds Bank Plc may be charged on such balance if accepted after its due date and that Australia may, without prejudice to any other rights, in default of payment, sell the Stock fully paid for its own account. I/We acknowledge that any letter of allotment is liable to be held pending clearance of such remittance and allotment.

**A separate cheque must accompany each application form. Cheques should be made payable to "Lloyds Bank Plc" and crossed "Australia Loan" and drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.*

***The expression "resident of the Commonwealth of Australia" does not include foreign branches of banks or financial institutions which are resident in Australia.*

Date:

(1) Usual signature:
In the case of a corporation, the common seal must be affixed or this form signed by a duly authorised officer who must state his capacity.
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

Joint Applicants (if any):
In the case of joint applicants all must sign.

(2) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

(3) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

(4) Usual signature:
Forenames:
Surname: (also state designation: Mr., Mrs., Miss or title)
Address in full:

FOR OFFICE USE ONLY
1. Acceptance number
2. Amount of Stock accepted £
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A. L. number
8. Cheque number

Stamp of bank or broker claiming brokerage (if any)

ALTERNATIVE METHOD OF PAYMENT

(This method of payment is available only to recognised Banks or Stockbrokers as described in the Prospectus.)

We hereby engage to pay Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL for credit to the account designated "Australia Loan" by 10.00 a.m. on 14th August, 1985 the amount in Town Clearing Funds representing payment at the rate of £30 per cent. for the Stock allotted to the person(s) named above in respect of this application. In consideration of Australia agreeing to allot the Stock as mentioned above, we agree that this engagement shall be irrevocable until 15th August, 1985 and that this sentence shall constitute a collateral contract between Australia and us which shall become binding upon despatch or delivery of this application form to Lloyds Bank Plc.

Authorised signature:

Please tick here if you wish your renounceable letter of allotment and/or cheque for excess subscription moneys to be retained at Lloyds Bank Plc, Registrar's Department, Issue Section, P.O. Box 1000, 61 Moorgate, London EC2R 6BL for collection. → Box A

Name of bank or broker:

Address in full:

TECHNOLOGY

EDITED BY ALAN CANE

Curing a painting problem

Ian Hamilton Fazey on paint that can be used in the wet

NEW KINDS of paint that can be applied in cold and wet conditions can bring cost savings for industry and more winter work for painters, according to paint-makers Crown.

The Lancashire-based company, part of Reed International, is to launch a campaign this autumn to try to change what it sees as entrenched attitudes to paint. These have led to a virtual embargo on outdoor painting in winter on the grounds that paint applied in wet, cold conditions will usually fail as a protective coating because it cannot "dry" properly.

One result is the lay-off of thousands of painters each winter. In addition, most outdoor painting schedules have then to be crammed into the warmer months between April and October, when demand for skilled labour often outstrips supply and painting contractors therefore push up prices.

While the argument against winter painting is almost certainly true for most oil and water based paints, Crown says this is not the case for a new family of coatings known as moisture-curing urethanes. Old habits and attitudes, the company says, are difficult to crack.

The new paints can be applied to any type of surface, no matter how cold and damp the ambient conditions, and will still harden to a perfect finish. The surface itself need not even be dry.

Crown has been perfecting the technology for several years, using some high-profile, very exposed objects to prove its claims for the paints. Other paint companies with similar products in the market now include Ameron, Berger, International, Leighs and Sigma.

The principle behind the technology was first published in the early 1960s when U.S. Navy scientists were looking for better paints to protect the decks of aircraft carriers. These had to be applied at sea, often in cold latitudes, when the ship was pitching and rolling and the atmosphere damp with spray.

"Wet" paint does not "dry" but "cures," forming a polymer that hardens as chemical reactions proceed.

Normal oil and water-based paints cure by oxidation, reacting with the air. The reaction is sensitive to ambient temperature and humidity: the drier and hotter it is, the better the paint cures. The U.S. scientists worked out how to produce a urethane resin that would polymerise into a very tough paint by reacting not with oxygen, but water.

Moreover, the reaction worked right down to freezing point. Far from needing dry conditions in which to work, these new paints thrived on water, actually taking it up from wet surfaces in order to cure.

According to Mr David Leaver of Crown there were two reasons why it took 20 years to get the new paints on the market in commercial quantities—conservatism in the paint industry and sheer technical difficulty.

The difficulty arose because most pigments contain water, so the urethane resin started reacting with them in the can, causing the paint to gel. Worse, the reaction's main by-product is carbon dioxide, so there was a high risk of cans exploding.

All the paint companies in the market have used advanced techniques — which remain trade secrets — to overcome these problems. The result is an expensive range of paints — they cost about three times as much as "normal" paints — but Crown believes that the economic benefits of being able to paint outdoors all the year round will make their use worthwhile.

But are the manufacturers' claims true? Crown refers inquirers to Mr Harry Pickup, manager of the paint and model department of Blackpool Pleasure Beach, the 42-acre funfair on the Lancashire holiday resort's south shore sea front.

Conditions could hardly be worse for a paint to prove its worth and Crown saw the pleasure beach as an incomparable test-bed when the management approached the paint company for advice. Apart from corrosive properties of seaside air and weather, the fairground's rides have to cope with 6m people clambering over them each year and are subjected to vigorous wear and tear as moving machines.

The other problem, of course, was that the use of conventional paints meant that the painting season coincided with the holiday season, necessitating the closure of rides during painting, loss of revenue and workmen's clutter at a time when management wanted the place looking its best.

Mr Pickup says the moisture-curing paints have completely solved all problems. Painting is done in the winter — cold, damp weather is no deterrent —and no rides have to close for it during the summer season at all. Some of the first trials, carried out five years ago, were with paints that have retained their colour fastness and repainting has not yet proved to be necessary.

The paints can be applied to any surface and have proved effective on steel, other metals, wood, concrete, plaster, asbestos, cement, brick, plastic and other layers of paint.

Crown's version of the technology has also proved itself on two other very visible structures—the 1,000 feet tall steel television transmitter which stands on top of the 1,450 feet Winter Hill near Bolton and the Birmingham Telecom tower.

Typical of present attitudes about winter painting, however, is a technical bulletin issued only last November by Greater London Council. This expressly forbade outdoor painting from the end of October to the beginning of the following April and explained why oil and water based paints will not cure in the cold and damp.

Mr Rex Starr, managing director of the Nottingham-based Toplis painting contractors, which is part of the Costain group, thinks that this shows why widespread re-education is needed among local authorities, hospitals, government bodies and big companies. He employs 120 painters but may have to lay off half of them in the winter.

The prize for the paint-makers, of course, would be more sales of an expensive range of products, but that does not mean that it would not also be in the self-interest of many customers to look at them seriously.

Paint for all seasons: Redecorating at Blackpool pleasure beach.

Rare business caution enters the video rental industry

Video & Film

BY JOHN CHITTOCK

THE RECENT performance of the video industry makes surprising reading. For while the number of video software rental shops in the UK has fallen 72 per cent from its peak of 16,000 to only 4,500, in the U.S. rental of video software for 1985 is expected to jump to 587m transactions against last year's 390m.

And in Japan sales of video software confirm a bewildering pattern with a rise in value of 80.2 per cent in 1984 over the previous year—while this year's output of VCRs on which they will be played is expected to fall by 8.3 per cent.

In fact, behind the apparent confusion there is some logic. The video industry has suffered from all the grotesqueness that comes with rapid growth—a mad influx of inexperienced and unprofessional operators, an apparent absence of any historical model on which to plan marketing strategies, and a proliferation of systems (apart from the well-known failures of V2000 and EVR there have been literally dozens of other technologies thrown on the scrap heap).

> ‘It comes as a surprise when a minnow appears and starts about its business methodically’

However, a more reasonable pattern emerges as market forces begin to find a natural level. The absurdity of 16,500 video software outlets in Britain (at the time, one for every 350 VCRs) was never good for the industry. And the slackening off in the growth of manufacture seems inevitable as some countries now move towards a penetration level of 50 per cent of all TV households.

In the UK, closures and cutbacks have extended beyond the retail and manufacturing areas of the business. Latest to call in the receiver in the UK is a leading independent distributor, VideoSpace—but there have been plenty of others, including a cutback at the prestigious Longman Video and an end to Rediffusion's foray into business video.

Against this background, and with forecasts from Fuji that world sales of videocassettes will rise by 23 per cent this year, it may seem difficult to know which way the video industry is really going. The answer, however, is undoubtedly up and forward.

Many casualties result not just from over-supply or exaggerated expectation, but from backing the wrong horses. Unfortunately, it is also easy to be wise after the event. Who could have known that a keep fit videocassette by Jane Fonda would sell hundreds of thousands of copies when many other special interest videocassettes have failed?

What is emerging, quite clearly, is that videocassettes are no different from any other product. They will not sell themselves. They need clever and professional marketing. They must be about subjects of appeal to the public. And they must be easily available in the right place at the right price.

Such professionalism has been rare in the business, although larger companies such as Thorn EMI have demonstrated how it should be done. The problems have centred mostly on the smaller or newer companies, and it comes as quite a surprise when one minnow appears and starts about its business methodically.

The rare example which provokes such thoughts is a new British franchising scheme called Blockbuster. Not uniquely, the company is providing videocassette rental through petrol filling stations. What is different, however, is the careful marketing strategy behind the operation—starting with a thorough analysis of the point-of-display psychology and the selection of titles, going through to the development of a computer system which enables a rental transaction to be completed in under three minutes.

By operating as a franchise scheme, and with critical selection of applicants (only one site in 20 is likely to be suitable) Blockbuster has also demonstrated a sense of business caution that is rare in the industry. Perhaps it is therefore no surprise to find that the two principals behind the scheme were previously at Cadbury Schweppes, one as their international marketing director. This makes a change from the car dealers, butchers and hairdressers, all of whom have had a dabble.

As Blockbuster obviously expects, software still looks like providing plenty of room for growth. The new chairman of the British Videogram Association—David Rozalla—summed up the possibility in a recent interview: "It is no longer a time when we can just sit back and wait for video consumers . . . We have got to go out and get to these people, especially the two-thirds of VCR owners who do not rent cassettes at all."

But there is still considerable scope for the hardware. Even though VCR penetration will soon reach saturation point in a few western countries (but plenty of room left in others), the new technology of the camera cassette recorder will trigger off another boom.

One hint of the potential comes from a U.S. survey which claims that while only 2.8 per cent of households there own a video camera, 27.5 per cent own a film movie camera. The former is virtually a direct replacement for the latter, and indeed when the public discover that video cameras are infinitely cheaper to run, with synchronised speech, instant playback, and now in one small combined unit, the high price of the equipment (around £1,000) will no more stop mass ownership than the high price of motoring.

> ‘The new technology of the camera cassette recorder will trigger off another boom’

If I ever doubted this possibility, I accidentally found reaffirmation last week when checking through some videocassettes. One, I discovered, was shot on an old two-unit video system I had borrowed for review—but thoughtfully prefaced with a voice-over dateline, "April 1980." It contains, inevitably, interviews with the whole family—including mother and cocker spaniel, both of whom are now well beyond their expected life span. It is poignant, priceless and an unparalleled experience.

When the mass consumer public discover such possibilities for themselves, hi fi, still photography and even TV movies may never be the same again. It took the public a long time to realise what the VCR really did—and then came the boom. It will take time again with the CCR—but its discovery and wholesale adoption must be one of the safest bets of the century.

Robots take a faster step forward

ENGINEERS at Tokyo's Waseda University have produced a two-footed robot that they say can walk almost as fast as a person.

The machine, called WL-10RD, can take a 16-inch stride in 1.4 seconds. The robot was developed under a programme to simulate movement in machines and eventually, so the engineers hope, will be able to climb stairs and walk over uneven surfaces.

Electronic help for the church

THE CHURCH authorities in Lincoln are collecting rents from their properties with the help of a computer system installed by QBH, a company in Brighouse, Yorkshire.

The Lincoln Diocesan Trust uses the system to keep track of rents payable on houses and other properties and to send out reminders.

With the hardware, the trust also records details of covenants made to it.

Guidance in the Gulf

SHIPS in the Arabian Gulf should be at less risk of collision as a result of a shipping control system developed by Easams, a company in Camberley, Surrey.

The system has been ordered by Raytheon Marine Sales and Service of the U.S. It will link with a set of radar installations supplied by Raytheon to monitor vessels in the Gulf.

Better bagging

A NEW Bag-O-Matic automatic bag-making machine from A1 Packagings of London produces plastic containers from tubing or folded film at speeds of up to 2,200 an hour. The 65kg machine produces bags up to 3.2 metres wide and 6 metres long.

FT COMMERCIAL LAW REPORT

Company may forgo capital allowances

ELLIS v BP OIL NORTHERN IRELAND REFINERY LIMITED
ELLIS v BP TYNE TANKER COMPANY LIMITED
Chancery Division: Mr Justice Walton: July 25 1985

A COMPANY is entitled, if it so chooses, to waive its right to claim capital allowances against corporation tax.

Mr Justice Walton so held when dismissing appeals by Richard Malcolm Ellis inspector of taxes from the Special Commissioner's decision that the companies BP Oil Northern Ireland Refinery Ltd and BP Tyne Tanker Co Ltd were entitled to renounce their right to capital allowances.

Section 56 of the Finance Act 1965 provides: "(1) In computing . . . a company's profits . . . there shall be made . . . all such deductions as are required to give effect to the provisions of the Income Tax Acts which relate to allowances . . . (2) Allowances . . . to be made . . . in taxing a trade shall be given effect . . . (3) Allowances . . . shall . . . be given effect . . ."

Section 27 of the Finance Act 1966 provides: "Schedule 5 to this Act which contains amendments of the Corporation Tax Acts relating to deductions allowable . . . and Schedule 6 which contains administrative provisions . . . shall have effect."

Schedule 6: "(2) A company may be required by e notice . . . to deliver . . . a return of the profits . . . (b) giving particulars of . . . allowable losses . . . (5) A notice . . . may require the inclusion . . . of . . . capital allowances."

* * *

HIS LORDSHIP said that the point raised was whether for corporation tax purposes capital allowance fell to be credited to a company automatically against its wishes or whether only those allowances specifically claimed fell to be taken into account.

The inspector of taxes was arguing for the former result. The companies were arguing for the latter with the deliberate intention of claiming less than the full amounts due to them.

BP Oil appealed against assessments to corporation tax for 10 consecutive accounting periods for the years ending December 31 1967 to December 31 1976 all in nil amounts. BP Tyne appealed against seven assessments for seven consecutive accounting periods ending December 31 1970 to December 31 1976 all in nil amounts.

They were not merely being quixotic wishing to contribute to the wealth of the nation but were motivated by the enactment of section 43 of the Finance Act (No 2) 1975 under which it became impossible for them to carry forward losses incurred before the end of 1972.

They had therefore calculated that it would pay them to renounce wholly or partially certain of their claims to capital allowances thus enabling them to claim annual allowance based on higher figures of written down value after the end of 1972.

The Special Commissioners upheld the companies' claims in principle. The inspector appealed by cases stated.

The primary purpose of taxing statutes was to raise money for the running of the country. Capital allowances were introduced by the Finance Act 1945 to encourage reconstruction after the end of World War II. They were introduced as a benefit to the taxpayer and not as a benefit to the Revenue.

It was to be expected that a person who was entitled to a benefit of that nature might take as much or as little of it as he chose. It must equally follow that as the allowances were not introduced for the benefit of the Revenue, it could have no conceivable ground for complaint if the taxpayer did not take full advantage of them. If it were not for the enactment of the 1975 Act the Revenue would never have dreamed of insisting on its present argument.

The case was concerned with capital allowances "in taxing a trade" (Income Tax Act 1952, section 310(1)), and not those made by way of "discharge or repayment of tax" (Income Tax Act 1952, section 301(2))

In the latter case allowances were primarily set off against particular income; in the former, against general trading income. There was, however, no real distinction in principle between the two cases for present purposes.

It was common ground between the parties that from 1945 to 1965 the right of the individual or company taxpayer to capital allowance depended on his making a claim, and that in making the claim he could elect to take as much or as little as he pleased. That continued to be the position so far as individuals were concerned.

The inspector contended that since the introduction of corporation tax in place of income tax, it was no longer true for companies; and that the allowance fell to be made to the company as a matter of mandatory obligation—it had no choice in the matter whatsoever.

Corporation tax, when introduced by the 1965 Act, was an entirely new tax which was chargeable on "profits" consisting of "income" and "chargeable gains" (sections 46(5) and 49(1)).

It was to be paid by reference to "accounting periods," not years of assessment; and was to be paid within nine months from the end of the accounting period, or within one month from assessment.

The Revenue's case was founded on section 56 of the 1965 Act. The construction which it sought to place on the first three subsections was that their application was mandatory in that no reference was made to the taxpayer's "claiming" the allowance; instead there was mandatory language, "there shall be made."

That submission was wholly fallacious. It was well recognised that "shall" in a statute was frequently not mandatory but directory only. It was in that sense that the word was used here.

The most obvious reason for that conclusion was that the submission was totally contrary to income tax practice. Mr Woolley, for the inspector, was unable to suggest any reason as to the necessity for making such e change.

Mr Woolley also sought to rely on the provisions of Schedule 6 to the Finance Act 1966, introduced by section 27.

The terms of that section entirely contradicted the essence of Mr Woolley's submission. If he were correct, the section ought to read "deductions allowable or mandatory" not simply "deductions allowable."

An "allowable" deduction was something which might be allowed, not something which must be taken.

It was clear from paragraph 2 (5) of Schedule 6 that it was the company which, in the first instance, made a return stating which its profits were, and that in making that return it made certain deductions, among them deductions in respect of capital allowances.

The Revenue's task was not to see that the company had claimed the maximum amount possible, but to see, in the language of section 27, that the allowances claimed were properly "deductible."

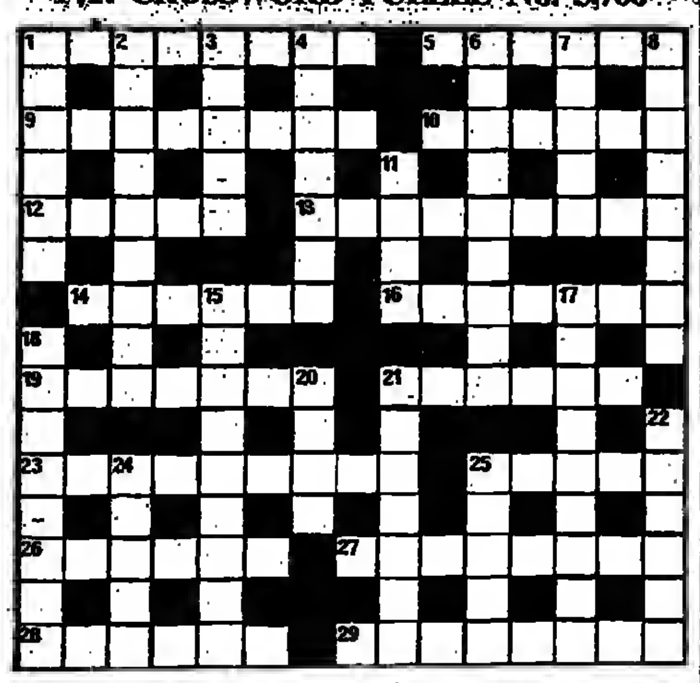
The appeal was dismissed.

For the companies: G. R. Aaronson QC and Terence Mowschenson (Linklaters and Paines).

For the Revenue: David Woolley QC and Alan Moses (Inland Revenue Solicitor).

By Rachel Davies
Barrister

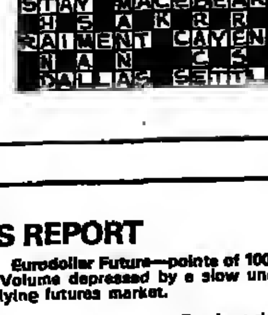
F.T. CROSSWORD PUZZLE No. 5,788



ACROSS
1 Expand the area in which dogs are given starting orders? (8)
5 Putting some water on the road is simplest (6)
9 Establish prune as food source (4, 4)
10 Excitement about royal lover (6)
12 Exist on arsenic compounds (5)
13 It is happening with ocean drift (9)
14 Pavilion is the place to watch bowlers opening (6)
16 Mould larch to shape of wheel (7)
19 Staff gossip—it stinks (7)
21 It needs a screen around but mine is broken in the middle (6)
23 It would be fallacious reasoning to do away with timber by internal combustion (9)
25 Bear on other side of playing area (6)
26 Died recently, flattened by Poles (6)
27 Starting price caller for a jumper (8)
28 Choice for each is held in reserve (6)
29 One way to paint bridge (8)

DOWN
1 Many differ and include an alternative, with cheese (6)
2 Nothing has altered in the stable block (9)
3 Stocks and hares? (5)
4 Sadly there is no Dutch wine (7)
6 One wondered about changing the bedding (9)
7 It's elevated and said to be quite spacious (5)
8 Do away with restriction on supply of fuel (8)
11 Get away with what The Jazz Singer does (4)
15 Carrier is to clear as per special arrangement (9)
17 Taken in by overheard sound (9)
18 Unsound speculation leads to financial liabilities (8)
20 Article on dress is a classic cover-up (4)
21 Take hammer back next to service area where driver is (7)
22 Damage caused by storm (6)
24 Game includes run round the deck (5)
25 The animal can be heard in the forest (5)

Solution to Puzzle No. 5,787



LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Lower volumes registered with underlying futures up ten points on the previous close.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
313	281	9305	5358

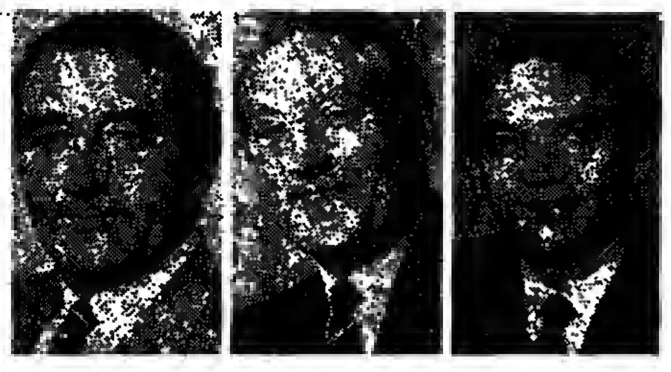
Eurodollar Future—points of 100%
Volume depressed by a slow underlying futures market.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
72	53	850	768

For full details of settlement prices call:
Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

APPOINTMENTS

Changes at the top at Lloyds Bank



Mr Gerald Clarke (left), Mr Frank Foster (centre) and Mr Robert Marshall (right) taking senior posts at Lloyds Bank.

Mr Gerald Clarke has been appointed a senior general manager of LLOYDS BANK with world-wide responsibility for personnel policy. He was previously general manager of the personnel division in the UK. Mr Frank Foster becomes deputy chief financial officer. He was previously general manager of the management services division in the UK. Mr Bob Marshall has been made a senior general manager with world-wide responsibility for information technology. He was previously a director of Lloyds Bank International with responsibility for support services.

These appointments are in the context of the merger of Lloyds Bank and Lloyds Bank International, which will take formal effect by January 1 1986.

*

Miss Margaret Barsham, formerly with the international division of the National Westminster Bank, has joined THE CORPORATE CONSULTING GROUP.

*

Mr John D. Wilson has been eppointed to the new role of group business development executive at YORKSHIRE CHEMICALS. He was responsible for planning and business development in the group's colours division.

*

Mr L. G. Hawkes, a director of EMD Europe (a division of Engelhard Sales) has been elected honorary treasurer of THE INSTITUTE OF METAL FINISHING, for a four-year period.

*

Mr David Cassidy has been appointed commercial director of PURNELL AND SONS, Paulton, a member of the British Magazine and Catalogue Printing Corporation, a division of BPCC. He joins from the National Magazine Company, where he was deputy production director.

*

Mr Gordon J. R. Hickmott has been appointed chairman-designate of TRIDENT GENERAL INSURANCE COMPANY and will become non-executive chairman later in the year. Mr Hickmott is a vice-president of the London Insurance Institute. He was the first departmental consequential loss production manager of the CU Group until retirement in 1972, when as an independent consultant he was retained by ICI, and Willis Faber and Dumas, on a permanent basis which still continues. He was appointed non-executive director of Trident General in 1981.

*

Following the appointment of Mr J. M. Fraser as executive vice-president of Crane Corporation responsible for operations in the U.S., Canada and the UK, Mr Robert Young will take up the vacated position of managing director of Crane in September. He is staff director, business development, Vickers. Between April 1983 and November 1984 he was a member of the government's Central Policy Review Staff and then the No. 10 Policy Unit.

*

The new secretary to the POST OFFICE is Miss Morag Macdonald. She takes over from Mr Sam Haskett who has retired. Miss Macdonald was previously head of the Post Office board secretariat and is only the second woman to hold the job of secretary since the post was set up 200 years ago. She joined the Post Office in 1969.

*

Mr Tim Harrison has become managing director of BUSHBOARD, a member of the Mallinson-Denny Group. He remains sales and market director of sister company Formwood

*

Mr David A. Shearing has been appointed to the board of WOODHOUSE DRAKE AND CAREY (HOLDINGS). He has also been appointed to the board of Woodhouse Drake and Carey (Sugar). Mr Michael H. P. Ingham has been appointed to the board of Woodhouse Drake and Carey (Cocoa).

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	61.1	65.2		3.91
Accum Units	90.5	96.3	-0.1	3.91
Pearl Inc	85.5	91.0	-0.1	5.22
Pearl Unit Tst	89.6	95.1	-0.5	4.28
(Accum. Units)	131.6	141.3	-0.8	4.28

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames 0491 576868

Growth	177.0	190.8	-1.0	1.46
Income	133.7	143.2	-0.6	5.57
Worldwide Recovery	100.8	108.2	-0.8	2.18
American Growth	57.3	61.7	-0.3	0.70
Intl Emerging Cos	57.0	61.2	-0.5	0.82
Far East Growth Fd	46.6	50.0	-0.3	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	98.5	105.5	-1.1	0.36
Prolific Extra Inc	59.8	63.7	-0.3	6.33
Prolific Gilt Cap	81.1	84.4	-0.1	3.26
Prolific High Inc	125.1	131.4	-0.3	5.67
Prolific Intl	82.7	88.1	-0.5	1.76
Prolific N. Amer.	117.4	125.8	-0.3	2.33
Prolific Spec. Sits	132.4	141.2	-0.3	1.66
Prolific Technology	101.5	108.7	-0.3	0.85

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.3	51.2	-0.6	—
Worldwide	47.7	50.5		1.65
European Trust	50.0	53.0	+0.1	1.62
North American	49.8	52.8	-0.4	3.87
UK Equity	48.4	51.3	-0.3	3.94

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	311.9	331.8	-1.9	3.76
Holborn Gilt Tst	152.6	159.5	-0.1	8.65
Holborn High Inc	53.6	57.0	-0.2	7.36
Holborn Intl	58.6	62.3	-0.5	0.55
Holborn UK Growth	61.7	65.6	-0.3	3.63

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd	310.7	330.6	—	3.82
Quadrant Income	172.0	183.0	—	6.87
Quadrant Intl. Fund	295.5	311.1	+11.4	1.53
Quadrant Recovery	189.3	201.4	—	3.54

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NY 01-628 6011

Wellington Inc	48.0	51.9	—	6.00
Wellington Growth	96.7	102.9	—	2.00

Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

British Life	130.1	137.6	-0.2	4.95
Reliance Unit Tst (Inc)	83.0	88.7	-0.1	4.76
Reliance Ut Tst (Acc)	107.1	114.4	-0.1	4.76

Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

Income UT	86.6	92.6	-0.6	7.25
International UT	214.3	229.2	+3.2	1.00

N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

NC America (Inc)	226.1	238.0	-2.3	1.40
NC America (Acc)	242.5	255.0	-2.5	1.40
NC Engy Res. Tst.	154.4	162.5	—	2.53

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TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants. SP10 1PG
0264 67188 Dealings to 0264 63432 3

TSB American	92.9	98.9	-1.0	1.47
Do Accum	96.8	103.0	-1.1	1.47
TSB Extra Income	82.2	87.5	-0.1	6.54
Do Accum	91.5	97.4	-0.1	6.54
TSB General	115.3	122.6	-0.9	3.54
Do Accum	186.8	198.7	-1.1	3.54
TSB Gilt & F.I. Inc	46.6	48.6	-0.1	9.52
Do Accum	57.4	59.8	-0.2	9.52
TSB Income	156.8	166.9	-0.8	5.28
Do Accum	236.5	251.7	-1.2	5.28
TSB Pacific	100.2	106.6	-1.0	0.62
Do Accum	102.7	109.3	-1.1	0.62
TSB International	224.9	234.3	-1.7	1.88
Do Accum	273.7	291.2	-2.2	1.88
Natural Resources	44.8	47.7	-0.2	2.83
Do. Accum	45.3	48.2	-0.1	2.83
TSB Sitd Opps	45.0	47.9	-0.1	2.61
Do Accum	48.4	51.5	-0.1	2.61

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

Small Co's Fund	66.6	71.0	-0.3	0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	65.4	69.8	-1.1	0.27
Australia	29.6	31.6	+0.1	0.10
Commodity	88.0	94.0	—	1.83
Energy	39.7	42.5	—	0.82
Equity	96.0	102.4	-0.7	3.87
European Spec. Sits	51.7	55.1	-0.1	0.90
Extra Income	88.0	94.1		7.70
Financial	198.9	212.2	+2.0	2.90
Gilt Capital	218.3	228.6	—	3.25
Gilt Income	103.2	108.1	+0.1	8.86
Gold Income	61.5	65.7	—	2.33
Gold Acc	111.0	118.7	—	2.33
Income	57.0	61.3	-0.3	6.11
Japan	44.0	46.9	-0.8	0.10
Malaysia & Singapore	23.3	24.9	+0.2	1.10
Pacific Income	62.5	66.8	+0.1	0.93
Pacific Re Inv	75.0	80.1	+0.2	0.93
Preference Share	15.8	17.1	—	10.13
Professional	459.7	490.3	+1.4	1.77
Special Sits	78.0	83.1	-0.3	2.70
Technology	41.9	44.8	-0.6	0.10
U.S. Special Bond	49.7	53.2	-0.2	6.38
Worldwide Capital	106.5	113.6	-1.0	1.82
Equity Exempt July 30	579.9	618.8	—	2.65
Equity Ex Acc July 30	1,065.8	1,136.9	—	2.65

Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

Electra Small Cos. Fd.	117.7	124.2	—	4.16
High Income	40.1	43.5	—	7.51
North American	101.7	108.2	-1.3	0.95
Recovery	119.0	126.8	—	4.01
Gilt Trust	37.2	38.5	—	9.87
St Vincent U.S. Gwth	66.5	69.3	-0.6	0.98
St. Vincent High Inc	66.2	68.3	-0.2	6.57

Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

TR American Growth	27.7	29.8	—	0.24
TR General Growth	36.8	39.1	-0.3	3.31
TR Global Tech	28.2	30.0	—	0.10
TR Income Growth	43.1	46.4	-0.2	5.39
TR Income Monthly	38.0	40.5	-0.1	7.71
TR Overseas Growth	31.4	33.4	-0.2	1.76
TR Smaller Cos.	39.1	41.6	—	1.98
TR Special Ops	40.6	43.9	+0.2	1.20

[illegible]

Allied Dunbar Assurance PLC
Allied Dunbar Ctr, Swindon SN1 1EL. 0793 28291

Fixed Int. Dep. Acc.	206.1	217.0		—
Equity Acc	489.7	515.5		—
Property Acc	304.2	320.3		—
Far East Acc.	91.3	96.3		—
Managed Cap.	262.2	276.0		—
Managed Acc	414.4	436.3		—
O'seas Earnings Acc.	321.6	338.6		—
Gilt Edged Acc	218.8	231.4		—
American Equity Acc	289.5	304.8		—
American Man. Acc.	124.6	131.2		—
American Prop Acc	118.8	125.1		—
Pen. F.I. Dep Cap	225.9	237.8		—
Pen. F.I. Dep. Acc.	338.0	355.8		—
Pen. Prop. Cap.	371.0	390.6		—
Pen. Prop. Acc.	613.2	645.5		—
Pen. Man. Cap.	512.4	539.4		—
Pen. Man. Acc.	845.9	890.5		—

[illegible]

Confederation Life Insurance Co.
50 Chancery Lane, WC2A 1HE. 01-242 0282

Life Funds

Managed Fund	473.0	497.8		—
Equity Fund	324.1	341.4		—
International Fund	181.8	191.5		—
Fixed Interest Fund	162.3	170.8		—
Property Fund	118.4	124.6		—
Index Linked Fund	107.0	112.5		—
Cash Deposit Fund	118.3	124.5		—
PIP Fund		1,360.2		

Individual Pension Funds

Personal Pen Managed	273.1	287.4		—
Staffguard Managd Pen	273.1	287.4		—

[illegible]

General Portfolio Life Ins. PLC
Crossbrook St., Cheshunt, Herts 0992 31971.

Portfolio Fd Acc	324.1	324.1		—
Portfolio Fd Inc	249.6	249.6		—
Portfolio Fd. Inc A	324.0	341.2		—
UK Equity	138.6	146.0		—
Overseas Equity	117.1	123.4		—
Smaller Companies	99.0	104.3		—
Gilt Plus	106.2	111.9		—
Gilt Plus 88	104.6	110.2		—
Fixed Int Dep.	103.5	109.1		—
Managed	126.8	133.5		—
Inter Man.	118.9	123.3		—

For other prices please telephone 0992 31411

Gresham Unit Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 767655

Managed Fd	329.5	347.1		—

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Legal & General (U.A.)—Contd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456

Ex Bldg Soc. Lnkd.	98.9	104.2		—
Do Accum.	100.5	105.8		—
Exempt Cash Init.	177.6	187.0		—
Do. Accum.	227.9	239.9		—
Exempt Eqty. Init.	493.4	519.4		—
Do Accum.	633.3	666.7		—
Exempt Fixed Inc	295.2	310.8		—
Do. Accum	328.9	398.4		—
Ex. Index Lnk Gilt	99.9	105.2		—
Do. Accum.	115.4	115.7		—
Exempt Intl. Initial	148.2	156.1		—
Do Accum.	170.7	179.7		—
Exempt Mngd. Init.	388.9	409.4		—
Do. Accum.	499.2	525.5		—
Exempt Prop. Init.	180.1	189.6		—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.60	—	−0.01	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$13.30	—	−0.03	—

Inv. Adv.: M. & G. Inv. Mngt. Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.16	—	+0.04	—
Dynamic Gwth Fd.	$8.23	—	−0.01	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.9	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.71	8.75	12.96	6mth
7-day Fund	11.99	8.88	13.14	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	11.75	8.79	12.95	6-Mth
7-day Fund	12.04	9.00	13.27	6-Mth
Dollar	8.01	—	—	6-Mth
Money Mngt Acct.	11.375	8.50	12.71	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Chr Acc.	11.25	8.00	11.93	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	11.375	8.50	12.70	Qtr
High. Int. Chq.	11.25	8.41	12.48	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.00	8.22	12.18	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.0	8.25	12.33	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	11.38	8.50	11.9871	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	11.13	8.32	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus	—	10.00	14.83	Qtr
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.28	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.0	8.22	12.18	Mth
Lloyds Bank PLC 71 Lombard St, London, EC3P 3BS. 01-626 1500				
High Int Cheque	11.25	8.25	12.36	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH. 01-409 3434				
14-Day Notice	11.750	8.780	12.547	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A.	11.125	8.31	12.35	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	10.70	8.00	11.42	Qtr
Provincial Trust (formerly Chancelors) 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
Cheque Acc.	12.00	8.97	13.59	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc.	11.41	8.53	12.75	Qtr
Money Acc.	11.37	8.50	12.70	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.375	8.50	12.84	Mth
Over £10,000	11.625	8.69	13.14	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc.	11.69	8.74	12.90	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk	30
BOC Grp	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	20
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	35
Cadburys	14	Trust Houses	13
Charter Cons	18	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs	25
Gen Electric	17	MEPC	28
Glaxo	85	Peachey	22
Grand Met	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit. Oil & Min	4
GKN	17	Brit Petroleum	42
Hanson Tst.	17½	Burmah Oil	18
Hawker Sidd	38	Charterhall	6
ICI	68	Premier	5
'Imps'	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Cut likely in Chinese metal imports

CHINESE IMPORTS of copper products, iron ore and iron and steel products will fall in the second half of 1985 from the first half but underlying demand is strong over the long term. according to traders in Peking.

Customs figures show imports of copper products increased to 214,000 tonnes in first-half 1985 from 102,858 in the same 1984 period.

Imports of iron ore were 3.75m tonnes, up from 1.93m. and of iron and steel products to 8.65m tonnes from 5.41m.

One trader said China overbought iron and steel products in the first half of 1985. He said there was serious port congestion, especially in Dalian. Shanghai and Tianjin, and he noted foreign exchange reserves had dropped sharply.

"Imports will be up to 50 per cent lower than in the first half," he said. "But, by the year-end, the port situation and foreign exchange position will have improved and demand will pick up again."

Demand for the construction industry and production in the consumer goods and automotive sectors is rising and domestic production will not be able to meet it, he edded.

Another trader said the sharp rise in imports partly reflected o decision to give small units authority to buy directly, which led to overordering.

Official press reports bave said delivery of steel products to the ports in the first balf of 1985 was 80 per cent higher than planned levels.

"I see a soft market here until October, when demand will begin to pick up again," the trader added.

Copper product imports will fall in the second half of the year because of foreign exchange limitations but demand is rising ahead of local production, a European trader said.

The trader said imports of iron ore will fall in the second balf of the year

But the opening of the 6m tonnes e year steel plant st Baosban, near Sbanghai, and other Chinese plans to boost steel output means demand for iron ore will be strong over the long term, the trader added.

Stocks rise hits copper market

BY OUR COMMODITIES STAFF

NEWS of a further sharp rise in copper stocks in official warehouses of the London Metal Exchange (LME) yesterday brought copper prices crashing down. It also eased the opparent tightness of supplies which had driven cash prices to o substantial premium over three-month quotations in the last fortnight.

The LME said copper stocks rose by 12,250 tonnes to 155,750 tonnes last week. This followed a 14,975-tonne increase in stocks the week before and took them to their highest level in about nine months.

As last week, most of the increase was accounted for by o continuing flood of higher-grade copper into Rotterdam as participants in the market took advantage of the premium for cash sales.

As a result, the cash quotation for higher-grade copper dropped £34.50 per tonne on the day in thin trading to an unofficial close of £1,049.50, and the three-month price re-established its traditional premium over the cash price.

The fading nf the cash premium—which rose to levels of up to £40 nver the last week—has left traders as surprised and baffled as they were when it began, though some were yesterday expressing distinct unease at the suddenness of the swings in the market.

No obvious participant in the market, be he a producer or a merchant, has been consistently blamed ,and it has been impossible to substantiate talk of market manipulation.

"There appears to have been no fundamental reason for this nearby tightness," said one trader. "The thing should never have happened in the first place. If nothing more happens bv the end of the week, we can assume it was all a nonsense."

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending August 2)

	(tonnes)
Aluminium	+1,700 to 140,775
Copper	+12,250 to 155,750
Lead	+50 to 35,175
Nickel	−96 to 6,762
Tin	+885 to 26,435
Zinc	−350 to 33,875
	(ounces)
Silver	+70,000 to 51,034,000

British company studies Australian palm oil plan

BY OUR COMMODITIES EDITOR

HARRISONS AND CROSFIELD, the UK plantations group, is examining the possibility of launching Australia's first commercial oil palm project on a 12,000-hectare estate for which it has been offered a 75-year lease hy the Government of Queensland.

Mr Tom Prentice, Harrisons' chairman, said yesterday that the company would conduct a full feasibility study on weather and soil conditions in the proposed growing area in North Queensland, as well as on the project's potential profitability. The cost of the study, which is likely to take several months, would be in the region of A$400,000.

The site is north of the Tropic of Capricorn in the Lockhart River aboriginal reserve. Mr Job Bjelke-Petersen, the Queensland state premier, said the project could be in production in five years.

Oil palm has been one of the fastest-growing agricultural crops in recent years in South-East Asian countries such as Malaysia and Indonesia. Exports of refined palm oil and palm kernel oil from Malaysia, by far the world's largest producer, are expected to total some $2.45bn this year.

Mr Prentice said Harrisons was taking a long-term view of the attractions of palm oil. "The price happens to be down at the moment, but palm oil is an edible oil, and much of the current world population is underfed." he said.

However, he added that the company was only in the preliminary stages of looking at the project.

India set to keep minimum tea price

By P. C. Mahanti in Calcutta

THE Indian Government has no intention of scrapping its minimum export price for tea, despite pressure from growers to do so, according to Mr P. A. Sangma, the Minister of State for Commerce.

He told the annual meeting of the Tea Association of India in Calcutta that he saw no odvantages in exporting tea "at throwaway prices."

"That would only be a short-term gain and would at the same time cause a shortage of the commodity in the home market," he said. "A popularly elected Government cannot take such liberties with a mass consumption item like tea."

He odded, though, that the Government had an open mind on the issue and would review the situation "at an appropriate time."

Last week the Government reduced the minimum export price from Rs26 (155p) per kg to Rs22 per kg for north Indian teas and Rs18 for south Indian varieties.

This has brought fresh life into north Indian tea anction centres, where prices have moved up at the last two auctions. In the south of the country, by contrast, auction prices remain depressed.

Average prices reported after yesterday'a weekly Loodon tea auction were unchanged for the second week in succession. Quality tea was unquoted again; medium grade averaged 135p a kilo and low medium grade 103p a kilo.

Thailand faces EEC curb on tapioca sales

BONN—Herr Martin Bangemann, the West German Economics Minister said yesterday it will be difficult for the European Community to agree to an increase in Thai tapioca exports to the EEC which the Thai Government is seeking.

In a speech to German businessmen in Bangkok, be said be sympathised with the Thai's wish to boost the exports wben an agreement with the Community limiting its sales expires at the end of next year. Reuter

Farmer's viewpoint: by John Cherrington

Currency confusion in the grain trade

DURING LAST autumn when sterling was nearing parity with the U.S. dollar many cereal farmers were happily calculating that they would have no need to worry in the future because on an on-farm basis in sterling terms British and U.S. prices for cereals were roughly the same. The same complacent thinking affected the cereal management committee of the EEC, which was able for e time to subsidise exports particularly of wheat et very low cost indeed.

But over the last six months things have changed quite dramatically. To hegin with, the Rotterdam price for U.S. soft red winter wheat, which approximates to European wheats, has fallen from $166 to $134 cif per tonne. Over the same period the U.S. currency has fallen from 112 cents to the Pound to 137 cents. This means that in terms of sterling the combined effect is a fall in value from £148 to £97 per tonne.

Of course, the Rotterdam price is only of academic interest. Imports into the EEC are controlled by very high levies. The levy on wheat imported into the UK et the moment is over £70 per tonne. It is more pertinent to consider the prices of wheat and barley offered fob in the countries of origin. For instance U.S. soft red winter is offered fob Gulf at the dollar equivalent of £86 per tonne and Australian barley, also fob, at £70.

The August intervention price for feed wheat and barley in Britain is £111.01 per tonne, which means that for UK or other EEC grain to compete on the world market substantial export subsidies are needed. The latest published ona for barley was the equivalent of £33.54 per tonne, that for wheat £25.30. But this would be for milling quality wbeat, probably from France. UK wheat which should reelly be classed as a feed grain has not been exported. French feed barley is heing offered fob French ports et the equivalent nf £68 per tonne.

It is obvious then that all the hrave talk of British farmers being ahle to compete with other world prodocers on equal tarms bas been completely nullified by the price drops and currency movements outlined above. In e way the currency changes are the most important as world grain trade is largely conducted in U.5. currency. Although the currencies of all the major grain exporting countries bave fallen substantially against sterling I doubt if the farmers operating under them will notice much difference to their well being in the short term. Many of their requirements are locally produced and a weakening currency is as good as a subsidy any day.

All this is making for a very poor trade in Britain at present. There are, I nnderstand, ships waiting at ports to take exports of feed grain but the price offered for this is around £90 per tonne at the farm gata. Naturally any farmer with grain of intervention standard will try and offer it in that direction first. Even if the payment delay remains at 120 to 140 days it should be much more profitable to use this outlet than to send it to the ports.

The position has not been helped by the Increasing planting of malting types of harley in the rest of the EEC. The malt this prodnces competes with UK exports and to maka matters worse the recession in many developing countries is cutting off those outlets which used to be considered a British preserve. Of course the main buyers, the British maltsters, are making the most of the situation, prophesying bed-rock prices end so nn in the usual way. This is to he expected and can be treated as the opening salvo in the annual price battle. But this yeor I believe they are speaking the truth.

These currency instabilities make nonsense of any ratiooal comparison of reletive costs as between countries, but in purely farming terms there are one or two points to consider. British arable farming is what used to be described es "high farming." Probably inputs of fertiliser chemicals and labour are much higher than anywhere else, but yields are high too, probably several times the overseas level. These high yields compensate for the higher costs and it is conceivable that on a strict unit cost UK grain is produced more cheaply than that in Australia, Canada or the U.S.

This is because some costs such as machinery bave to be incurred in growing a crop of wheat or barley whether the yield is half a tonne or 4 tonnes an acre. But overseas formers and their governments who depend on grain exporting are not worried by comparisons between their costs and those nf their competitors. Nor will they simply stop farming in reaction to poor returns from exports. It is true that many overborrowed U.S. and other farmers are in trouble. But even if they are dispossessed of their farms their land will be taken over by someone else and output will still be maintained. During the 1930s slump it took years of bed prices to reduce output so that demand was able to push up prices.

In fact potential export demand for cereals is falling quite seriously. The Soviet Union is cutting purchases as is China. Carry over of all grains is expected to increese. In all these circumstances for British or other EEC farmers to talk of competing with their American or Australian counterparts is simplistic wishful thinking.

Fermers' survival both in the EEC end elsewhere will depend on the readiness of individual governments to manoeuvre their financial or fiscal arrangements to keep their farming populations going.

Wet weather threatens quality of UK harvest

BY JOHN BUCKLEY

THE QUALITY of the 1985 UK cereal crop could suffer considerably if the wet conditions which have dogged harvests for the past week continue, according to farmer co-operatives.

The immediate problem in the South is waterlogging of fields wbere barley is now ripe and needs to be gathered quickly. Although the West Country and parts of Hampshire and Sussex reported ective barley cutting last week, operations in the Home Counties and the East Anglian "bread bowl" have been continually hrought to a halt by rains.

Merchants are worried thet quality of winter malting barleys could be redneed if the wet weather persists. However, early seed barley samples cot for export seem generally up to required quality with any damage from weather largely superficial.

Reports of lodging (wet fields blown flat by high winds) are widespread acroes Southern England and particularly severe for winter crops which are still a fortnight off harvest in the South. Another week or 10 days of rain would reduce the size of the milling crop by lowering quality of flattened grain and, if the weather is warm as well as wet, encouraging sprouting.

Most observers expect lower yields of both wheet and barley and the range of crop estimetes has widened to between 24m and 26m tonnes from a recent popular spread of 26-26.5m. Wheat is put at 13-14.5m and barley at 10-11.5m. However most traders are now more concerned with quality than quantity and with pressure likely to build on both storage space and drying facilities from a compressed harvest the key will now be in ensuring grain can be brought up to both commercial and intervention standards.

Always first in the field some Dorset farmers are already drilling for their 1986 barley crops according to local sources.

LONDON MARKETS

COFFEE VALUES on the London futures market fell back following last week's strong gains but finished the day well above the lows. The November position was trimmed back to £1,675 a tonne at one stage before ending the day £11 down at £1,703.50 a tonne.

Cocoa futures prices also finished near the top of the day's range with the December quotation, which at one time slipped to £1,673 a tonne, ending £8 above Friday's close at £1,698.50 a tonne. Dealers said price movements during the day had reflected unsettled sterling against the dollar.

A quietly steady New York market and signs of improved end-user demand helped to lift sugar futures by three or four dollars a tonne in London.

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

[illegible]

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

MAIN PRICE CHANGES

(In tonnes unless otherwise stated.)

METALS	Aug. 5 1985	+ or −	Month ago
Aluminium	[illegible]	[illegible]	[illegible]
Free mkt	[illegible]	[illegible]	[illegible]
Copper			
Cash h Grade	£1049.5	−34.5	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Gold troy oz	[illegible]	[illegible]	[illegible]
Lead Cash	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Nickel	[illegible]	[illegible]	[illegible]
Free mkt	[illegible]	[illegible]	[illegible]
Palladium oz	[illegible]	[illegible]	[illegible]
Platinum oz	[illegible]	[illegible]	[illegible]
Quicksilver	[illegible]	[illegible]	[illegible]
Silver troy oz	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Tin cash	[illegible]	[illegible]	[illegible]
3 mths	[illegible]	[illegible]	[illegible]
Tungsten	[illegible]	[illegible]	[illegible]
Wolfram 22.04lb	[illegible]	[illegible]	[illegible]
Zinc	[illegible]	[illegible]	[illegible]
6 mths	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]

OILS	Aug. 5 1985	+ or −	Month ago
Coconut (Phil)	[illegible]	[illegible]	[illegible]
Palm Malayan	[illegible]	[illegible]	[illegible]
SEEDS			
Copra Phil	[illegible]	[illegible]	[illegible]
Soyabean (U.S.)	[illegible]	[illegible]	[illegible]
GRAINS			
Barley Fut. Nov.	[illegible]	[illegible]	[illegible]
Maize	[illegible]	[illegible]	[illegible]
Wheat Fut. Nov.	[illegible]	[illegible]	[illegible]
No. 2 Hard Wint.	[illegible]	[illegible]	[illegible]
OTHERS			
Cocoa Ft. Dec.	£1698.5	+8	[illegible]
Coffee Ft. Nov.	£1703.5	−11	[illegible]
Cotton A Index	[illegible]	[illegible]	[illegible]
Gas Oil Sept.	[illegible]	[illegible]	[illegible]
Rubber (kilo)	[illegible]	[illegible]	[illegible]
Sugar (raw)	[illegible]	[illegible]	[illegible]
Wooltops 64s	[illegible]	[illegible]	[illegible]

† Unquoted. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

TIN

[illegible]

GOLD

[illegible]

SILVER

[illegible]

FREIGHT FUTURES

[illegible]

GRAINS

[illegible]

RUBBER

[illegible]

INDICES

FINANCIAL TIMES

[illegible]

REUTERS

[illegible]

DOW JONES

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

SUGAR

[illegible]

COTTON

[illegible]

SOYABEAN MEAL

The market opened 50p down in quiet trade, reports T. G. Roddick. Prices firmed on week starting before easing late in the day on commission house selling.

[illegible]

OIL

[illegible]

SPOT PRICES

[illegible]

GAS OIL FUTURES

[illegible]

POTATOES

[illegible]

PIGMEAT

[illegible]

U.S. MARKETS

HEATING OIL, as well as the entire energy complex, was moderately higher en news that Saudi Arabia would not increase production immediately, reports Heinold Commodities. Gold moved moderately higher and silver came under pressure early on report of a substantial build-up in stocks but rallied to unchanged ahead of the close. Copper opened slightly higher but retreated sharply on reports of a big build-up in LME stocks. The market continued to suffer from indications of a lagging demand. Aluminium was under light pressure on trade selling. Cocoa advanced moderately in light trade; buying was triggered by trade short-covering after the markets failed tn move lower. Coffee lost ground lower as lack of cold weather kept the market under pressure; technical and local selling pushed the market to new contract lows. Sugar gained ground on reports that India would be a net importer; Japan and Cuban enquiries for physicals continued to support the market. Cotton traded higher on reports that demand for deliveries exceeds the certificated stocks. Grain and soyabean prices were uniformly lower as rains over tbe weekend alleviated fears about crop development. The inability of the Congress to pass new farm bill legislation was also a negative factor in the market.

NEW YORK

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
Sept	132.43	133.60	132.07	134.18
Dec	135.42	136.50	135.20	137.17
March	147.46	138.30	137.05	138.65
May	138.07	139.30	138.45	140.01
July	138.90	139.10	138.95	139.88
Sept	139.55	—	—	140.80
Dec	140.25	—	—	141.50

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Sept	27.32	27.48	27.29	27.31
Oct	26.75	26.95	26.70	26.74
Nov	26.32	26.51	26.31	26.30
Dec	26.02	26.19	26.00	25.90
Jan	25.75	25.84	25.73	25.50
Feb	25.60	25.60	25.60	25.38
March	25.36	—	—	25.15
April	25.10	25.16	25.09	25.00
May	26.00	25.01	24.95	24.85
June	24.86	—	—	24.70

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

Sept	71.45	72.55	71.45	71.72
Oct	72.20	73.10	72.16	72.41
Nov	73.00	73.65	73.05	73.17
Dec	73.70	74.25	73.70	73.72
Jan	74.10	74.60	74.16	74.07
Feb	73.50	73.40	73.40	73.10
March	70.75	—	—	70.50
April	60.50	—	—	66.45

SUGAR WORLD "11" 112,000 lb. cents/lb

	Close	High	Low	Prev
Sept	4.76	4.80	4.68	4.59
Oct	4.91	5.00	4.88	4.79
Jan	5.08	5.15	5.06	4.98
March	5.45	5.59	5.42	5.40
May	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

[illegible]

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 610.0, 620.0; Dec 615.0, 621.0; Mar 620.0, 630.0; May 630.0, 640.0; July 633.0, 638.0; Oct 620.0, 630.0; Dec 625.0, [illegible]

JUTE

[illegible]

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two red winter Sept 128, Oct 132, Nov 134, Dec 135. U.S. northern spring 14 per cent protein Aug 148.50, Sept 144.50, Oct 148.75, Nov 152. U.S. northern spring 15 per cent protein Aug 156, Sept 143.60, Oct 157, Nov 160.50. U.S. three hard amber durum Aug 153, Sept 151, Oct 157, Nov 162. Canadian one western red spring 13.6 per cent Aug 162.50, [illegible]

MEAT

[illegible]

PARIS

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar quiet and steady

Foreign exchanges were very quiet yesterday, with the dollar continuing to consolidate in the DM 2.80 region. In the absence of new factors there is little incentive to either buy or sell the dollar, and there is very little in the way of economic statistics due for release this week. Last Friday's unemployment figures were unchanged, but dealers detected further signs of sluggishness in the U.S. economy, in the fall of 7,000 in manufacturing employment. Second quarter balance of payments and the July producer price index are the only significant figures scheduled for publication this week, but may have little impact. Attention is tending to centre on the record $21.75bn U.S. Treasury refunding package, starting tomorrow with the auction of $8.5bn in three-year notes. The result may give a guide to how strong foreign demand remains for dollar denominated paper after the recent sharp fall of the currency.

The dollar was unchanged at DM 2.8250 and Y237.40, but rose to SwFr 2.3220 from SwFr 2.3115, while declining to FFr 8.6125 from FFr 8.6150. On Bank of England figures the dollar's index was unchanged at 137.5.

STERLING — Trading range against the dollar in 1985 is 1.4290 to 1.0525. July average 1.3783. Exchange rate index closed unchanged at 81.1. It opened at 81.6, the high point of the day, but quickly fell to 81.2, before recovering to 81.5 at 2 pm, but falling to the day's low at the close.

Sterling remained rather nervous, and eventually gave up any earlier gains, to finish generally weaker on the day. Today's UK money supply figures are expected to show sterling M3 little changed, but because of the pound's recent vulnerability this will almost certainly not result in lower bank base rates. This proved of little consolation to sterling yesterday however, and it lost 30 points to $1.3680-1.3690. The pound also fell to DM 3.8650 from DM 3.87; FFr 11.7850 from FFr 11.80; and Y324¾ from Y325¾, but closed unchanged at SwFr 3.18.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.8055. July average 2.9134. Exchange rate index 125.7 against 119.9 six months ago.

The D-mark showed little change against the dollar in thin and trendless trading. Sentiment appeared to suggest a weaker dollar, but there was little conviction. Friday's unchanged U.S. unemployment figure added to the general mood of apathy in the market, and with few economic figures due this week attention is tending to move towards this week's record U.S. Treasury refunding package. Eurodollar and Euromark interest rates were generally steady, and domestic German rates were also much less volatile than last week. The Bundesbank did not intervene when the dollar was fixed at DM 2.8198 in Frankfurt compared with DM 2.8310 on Friday. The U.S. currency finished the day at DM 2.82625 against DM 2.8260 previously. News of a fall in German industrial orders and a widening of the June capital account deficit had little impact. Sterling improved, rising to DM 3.872 at the fixing from DM 3.865, but the Swiss franc eased to DM 1.2204 from DM 1.2213.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.8320	45.0324	+0.45	+0.34	N/A
Danish Krone ...	8.12857	8.02976	−1.22	−1.33	N/A
German D-mark	2.23840	2.22908	−0.42	−0.53	N/A
French Franc ...	6.86402	6.79836	−0.96	−1.07	N/A
Dutch Guilder...	2.52208	2.50470	−0.69	−0.80	N/A
Irish Punt	0.724578	0.716372	−1.13	−1.24	N/A
Italian Lira	1520.60	1492.37	−1.79	−1.79	N/A

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Aug 5	Previous
8.30 am	81.6	82.2
9.00 am	81.2	82.4
10.00 am	81.2	81.7
11.00 am	81.3	81.2
Noon	81.4	81.0
1.00 pm	81.4	[illegible]
2.00 pm	81.5	81.0
3.00 pm	81.4	81.3
4.00 pm	81.1	81.1

£ IN NEW YORK

	Aug. 0	Prev. close
£ Spot	$1.3660-1.3675	$1.3670-.3680
1 month	0.47-0.45pm	0.45-0.43 pm
3 months	1.10-1.56pm	1.16-1.10 pm
12 months	0.58-2.45pm	2.82-2.70 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

August 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.3640-1.3785	1.3680-1.3690	0.47-0.44c pm	3.99	1.11-1.07pm	3.19
Canada	1.8600-1.8635	1.8600-1.8630	0.50-0.41c pm	2.95	1.08-0.94pm	2.16
Nethlnd.	4.33½-4.35¾	4.33½-4.34½	2⅛-2c pm	6.05	6-5¾pm	5.36
Belgium	77.80-78.35	77.80-77.90	23-7c pm	2.31	39-15pm	1.39
Denmark	13.82-13.90¾	13.82-13.93	4⅞-3⅞ore pm	3.18	8¼-7¾pm	2.27
Ireland	1.2392-1.2469	1.2438-1.2448	0.28-0.06p pm	1.54	0.56-0.18pm	1.19
W. Ger.	3.86-3.87½	3.86-3.87	2⅞-2¾pf pm	7.37	6⅞-6¾pm	6.60
Portugal	227-231	227-230	65-405c dis	−12.06	430-1480d	−16.54
Spain	226-227	226-226¼	125-340c dis	−12.34	500-790dis	−11.32
Italy	2582½-2605¾	2584-2586	30lire pm-3dis	—	7-15dis	−1.70
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

OTHER CURRENCIES

[illegible]

* Selling rate.

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

[illegible]

* CS/SDR rate for Aug. 2: [illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

[illegible]

Asian $ (closing rates in Singapore): Short-term 7⅞-8 per cent; seven days 7⅞-8 per cent; one month 7[illegible]-8[illegible] per cent; three months 8⅛-8⅜ per cent; six months 8¼-8½ per cent; one year 8⅝-8⅞ per cent. Long-term Eurodollars: two years 9⅝-9⅞ per cent; three years 10⅛-10⅜ per cent; four years 10⅜-10⅝ per cent; five years 10⅝-10⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Mixed trend

Prices showed little clear trend in the London International Financial Futures Exchange yesterday. Euro-dollar prices finished unchanged, recovering from a weaker start, while sterling deposits were slightly firmer from Friday, having shown little change from opening levels. On the other hand U.S. Treasury bond values were marked down ahead of today's auction of U.S. Treasury notes.

The September Euro-dollar contract opened at 91.61 down from 91.64 and recovered to a high of 91.65 on a Federal funds rate of below 8 per cent, before finishing at 91.64.

U.S. bond prices were marked down at the start with the September contract opening at 74-25 down from 75-04. It touched a low of 74-17 with any attempts at a further downward trend seeming to lack conviction. Trading was affected to some extent by today's auction of $8¾bn of three-year notes in the U.S., representing the first leg of a record refunding programme by the Treasury. The September price recovered to finish at 74-24.

Sterling based instruments tended to move in line with sterling's performance against the dollar. Values were slightly firmer at the start but trading remained nervous since sterling's vulnerability to oil price movements and other economic factors has become more exposed due to the pound's decreasing overseas attraction as domestic interest rates fall.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.64	91.65	91.60	91.64
Dec	91.14	91.15	91.12	91.15
March	90.72	90.74	90.70	90.73
June	90.32	90.34	90.31	90.34
Sept	89.96	89.98	89.96	89.98

Est volume 2,114 (4,377)
Previous day's open int 20,152 (20,145)

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

STERLING £25,000 $ per £

[illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Sept	127.15	127.70	127.00	127.80
Dec	127.75	—	—	128.40

Est volume 175 (147)
Previous day's open int 1,518 (1,510)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	74-24	74-31	74-17	75-04
Dec	73-22	73-29	73-22	74-01
March	72-22	—	—	73-01

Est volume 1,589 (2,061)
Previous day's open int 2,890 (2,690)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STERLING (IMM) Se per £

[illegible]

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	73-27	74-03	73-20	74-00
Dec	73-07	73-11	73-01	73-12
March	—	—	—	—
June	72-01	72-01	71-23	72-04
Sept	—	—	—	71-18

UK longer rates slightly down

Interest rates were slightly easier at the longer end of the market in London yesterday while short term rates remained relatively high. The Bank of England gave less help than the published shortage although overnight money remained within a narow range of 12-12½ per cent. Three-month interbank money eased to 11[illegible]-11[illegible] per cent from 11¼-11⅜ per cent while three-month eligible bank bills hovered around the Bank's dealing rates at 11[illegible] per cent compared with 11½ per cent on Friday.

UK clearing banks base-lending rate 11½ per cent since July 30.

Much now depends on today's UK money supply figures, with the market already expecting a favourable improvement from figures released a month ago. However, sterling's performance is also likely to hold considerable sway in determining the market's and the authorities' attitude towards lower bank base rates.

The Bank of England forecast a shortage of around £900m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £829m and the unwinding of previous sale and repurchase agreements a further £584m. These were partly offset by Exchequer transactions adding £190m and a fall in the note circulation of £300m.

The forecast was revised to a shortage of around £950m and the Bank gave assistance in the morning of £237m, comprising purchases of £221m of eligible bank bills in band 2 (15-33 days) at 11[illegible] per cent and £16m in band 3 (34-63 days) at 11½ per cent. In the afternoon the Bank gave help of £501m through purchases of £36m of eligible bank bills in band 1 (up to 14 days) at 11½ per cent, £329m in band 2 at 11[illegible] per cent and £1m in band 3 at 11½ per cent. It also arranged sale and repurchase agreements on £135m of bills at 11½-11[illegible] per cent, unwinding on August 28. Late assistance came to £106m, making a total of £843m.

MONEY RATES

Aug. 5	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.7-5.8	9¾	5⅛-3⅝	6¼-6[illegible]	6.21875	14½-14⅝	6.45	11¼-11½
One Month	4.85 5.00	9¾-9⅞	4[illegible]-4[illegible]	6-6⅛	6.34375	14⅜-14⅝	5⅛-9⅜	10⅝-10⅞
Two Months	4.85-5.00	9[illegible]-9[illegible]	—	—	—	—	—	10½-10¾
Three Months	4.85-5.00	5⅞-10	4⅝-4¾	5⅞-6	6.38125	14⅝-15	9⅜-9⅝	10⅝-10⅞
Six Months	4.90-5.05	9[illegible]-10[illegible]	—	5⅞-5	—	—	9⅛-9⅜	10¼-10½
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Aug. 5 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	12-12½	12-12⅛	12⅛-12¼	11½-12	—	—	—	—	—
2 days notice	—	—	11⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12-15¼	11⅞-12	12¼	11¾-12	—	—	—	—	—
One month	11⅝-11¾	11[illegible] 11[illegible]	11¾	11⅞	11½	11[illegible]	11[illegible]	11[illegible]	11[illegible]	12
Two months	11⅛-11⅝	11⅝-11¾	11⅝	11¼	11	11[illegible]	11⅛	11¼	11⅛-11[illegible]	11⅞
Three months	11[illegible]-11¼	11[illegible]-11⅝	11⅛	—	10¾	11⅛	10⅞	11[illegible]	10⅞-11	11¾
Six months	11[illegible]-10[illegible]	11¼-11⅛	11⅜	—	—	—	—	10⅝	10⅛	11¼
Nine months	10[illegible]-10[illegible]	11⅛ 11⅝	—	—	—	—	—	—	—	—
One year	10[illegible]-10[illegible]	10[illegible] 11¼	11	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅛-11⅞	—	11[illegible]	7.8-7.9	7[illegible]-7[illegible]	8[illegible]-9[illegible]
Two months	12 11¾	—	11⅝	7.9-8.0	7¾-8	8[illegible]-9[illegible]
Three months	11⅞-11⅝	—	11[illegible]	7.9-8.0	7⅞-8⅛	9-9⅛
Six months	11[illegible]-11[illegible]	—	11¼	8.2-8.3	8⅛ 8⅜	9[illegible]-9[illegible]
Nine months	11[illegible]-11[illegible]	—	11[illegible]	8.55-8.65	—	—
One year	11[illegible]-11[illegible]	—	11⅛	8.65 8.75	8¼-8½	9[illegible]-9[illegible]
Two years	—	11[illegible]	—	—	—	—
Three years	—	11[illegible]	—	—	—	—
Four years	—	10[illegible]	—	—	—	—
Five years	—	10[illegible]	—	—	—	—

ECGD Fixed Finance IV: Average Rate of Interest period June 5 to July 2 (inclusive): 12.535 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from August 1, 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent(net). Treasury Bills: Average tender rate of discount 10.9757 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¼ per cent; three-six months 11 per cent; six-nine months 10¾ per cent; nine-12 months 10½ per cent. Under £100,000 10¼ per cent from July 29. Deposits held under Series 5 10¼ per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug. 5)

3 months U.S. dollars	
bid 8 1/8	offer 8 1/4

6 months U.S. dollars	
bid 8 3/8	offer 8 1/2

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	8½-9
Fed funds	7[illegible]
Fed funds at intervention	—

Treasury Bills

One month	6.90
Two month	7.10
Three month	7.23
Six month	7.48
One year	7.70

Treasury Bonds

Two year	99[illegible]
Three year	101[illegible]
Four year	99[illegible]
Five year	99[illegible]
Seven year	99[illegible]
10 year	103[illegible]
30 year	104[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 5, 1985. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	5.7250
Algeria	Dinar	(A)6.88
Andorra	French Franc	11.7650
	Spanish Peseta	226.1250
Angola	Kwanza	42.1540
Antigua	E. Caribbean $	0.72
Argentina ... Zimbabwe	[illegible]	[illegible]
French Guiana	Local Franc	11.7850
French Pacific Is.	C.F.P. Franc	205.5
Gabon	C.F.A. Franc	589.25
Gambia	Dalasi	5.00
Germany (East)	Ostmark	3.8650
Germany (West)	Deutsche Mark	3.8650
Ghana	Cedi	75.0075
Gibraltar	Gibraltar £	1.0
Greece	Drachma	180.40
Greenland	Danish Kroner	13.9350
Grenada	E. Caribbean $	3.72
Guadaloupe	Local Franc	11.7850
Guam	U.S. $	1.3685
Guatemala	Quetzal	1.3685
Guinea	Syli	32.75
Guinea-Bissau	Peso	202.79
Nigeria	Naira	[illegible](sg)
Norway	Norwegian Krone	11.3450
Oman Sul'ate of	Rial Omani	0.4745
Pakistan	Pakistan Rupee	21.40
Panama	Balboa	1.3685
Papua N. Guinea	Kina	1.3410†
Paraguay	Guarani	329.88 (10)
		789.09 (7)
		447.99 (12)
Peru	Sol	[illegible](A)18,960
Philippines	Philippine Peso	24.30
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.5885
Poland	Zloty	519.08
Portugal	Portuguese Escudo	228.50
Western Samoa	Samoan Tala	(A) 3.1225
Yemen (Nth)	Ryal	(A) 8.8920
Yemen (Sth)	S. Yemen Dinar	0.4780
Yugoslavia	New Y Dinar	387.6343
Zaire Republic	Zaire	69.9596†
Zambia	Kwacha	3.08
Zimbabwe	Zimbabwe $	2.2100

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (4) Preferential rate for public sector debt and essential imports. (5) Preferential rate. (6) Free rate for luxury imports, remittances of money abroad and foreign travel. (7) Parallel rate. (8) Rate for remittances of foreign currency by Egyptians working abroad and tourists. (9) Banknote rates. (10) Rate for exports. (12) Rate for imports. (13) Essential imports. (14) Nearly all business transactions. (15) Argentina: June 15, new currency introduced: 1 austral=1,000 old pesos.
† Corrections (July 22). Austria 28.23, Azores 235.5, Belgium (cm) 80.85 and (fn) 81.465. Madeira 235.5, S. Africa 2.6497, Spain and Spanish Ports in North Africa 233.5, Swaziland 2.6497, Sweden 11.72 and Zaire 73.6215.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99¼	97¼	Treas 8¼pcCnv '85	99⅛xd	....	8.77	11.87
101⅜	99⅞	Exch. 12¼pc 1985	100⅛	....	12.24	11.57
101⅛	99⅛	Exch. 11¾pc '86	100⅛xd	....	11.70	10.90
99½	97⅛	Treas. 10pcCnv 1986	99¼	+⅛	10.08	11.07
95½	92¼	Treas 3pc 1986	95⅛	–⅛	3.15	9.47
100	97½	Exch. 10½pc Cv '86	99⅜	+⅛	10.55	11.25
101¾	99¼	Treas 12pc 1986	100⅞	+⅛	11.90	10.81
98¼	94¾	Treas 8½pc 1984-86‡‡	98¼	+⅛	8.66	10.64
105⅛	102⅛	Exch. 14pc 1986	103⅜	+⅛	13.54	10.85
93½	87¾	Exch. 2½pc 1986	93¼	....	2.68	8.07
104⅛	101¾	Exch. 13¼pc 1987	103⅛xd	+⅛	12.84	10.70
99⅛	96⅝	Treas 10¼pcCv '87	99⅛xd	+⅛	10.33	10.82
91⅜	85½	Exch 2½pc 1987	91⅛xd	....	2.73	8.41
99⅜	96¼	Exch. 10½pc 1987	99⅜	+⅛	10.57	10.88
94	89	Funding 6½pc '85-87‡‡	93¾	....	6.93	10.50
99	95½	Treas. 10pc 1987	98½	+⅛	10.15	10.88
90⅛	84¼	Treas 3pc 1987	90¼	+⅛	3.32	8.56
102⅜	99½	Treas. 12pc 1987	101⅜	....	11.77	10.94
94⅛	90¼	Treas 7¾pc 1985-88‡‡	94¼xd	+⅛	8.22	10.43
99¼	95½	Exch 10½pc '88	99⅛	+⅛	10.60	10.87
97¼	93¼	Treas 9¾pc Cv '88	97⅛	+⅛	10.05	10.95
86½	80	Transport 3pc '78-88	86½	+⅛	3.48	8.49
96⅝	91½	Treas. 9½pc '88	96⅛	+⅛	9.89	10.96
102¾	97½	Treas 11½pc 1989	101⅜xd	+⅛	11.32	10.95
96⅛	90¾	Treas 9½pc Cnv. '89	95⅜	+⅛	9.94	10.97
81⅛	79	Treas 3pc 1989	81⅛	–⅛	3.70	9.03
99¾	94	Treas 10½pc 1989	98⅜	+⅛	10.65	10.95
97¾	92	Exch.10pc 1989	97xd	+⅛	10.31	10.95
101	95	Exch 11pc 1989	100⅛	+⅛	10.99	10.95
85¼	79	Treas 5pc 1986-89	84½	–⅛	1.91	9.52
108⅛	103¼	Treas 13pc 1990‡‡	107⅛	+⅛	12.10	10.82
101⅝	96⅜	Exch 11pc 1990‡‡	100⅝xd	....	10.93	10.81

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
48	28	♦Manmet Hldgs 10p	35		—	—	—	—
320	202	Man Ship Can £1	317		5.5	3.5	2.5	16.7
104	70	Marley	70	–2	3.75	2.2	7.7	8.5
107	52	Marling Ind 10p	88	+2	4.50	♦	2.1	♦
74	36	Marshall L'ay 'A'	69		2.4	4.9	5.0	5.0
77	58	Marshall's Universal	60	+1	2.0	1.4	4.0	(19.0)
86	78	Do 7½pcCnRedPf £1	82		7½%	—	13.1	—
		For Martin-Black see Dean Park Hotels in Recent Equities						
£97	£81	Mathesons 7¼%	£95		Q7¼%	2.3	18.5	—
35	26	♦Maxiprint 1p	29		—	—	—	—
477	375	Metal Box £1	455	–3	17.25	3.1	5.4	6.8
170	119	Metal Closures	119	–1	6.7	2.0	8.0	7.4
17	4½	♦Metal Sciences 2½p	6		—	—	—	—
104	73	Midland Marts	83		4.0	♦	6.9	♦
83½	59½	Mitchell Cotts	59½	–2½	t4.0	1.5	9.6	8.5
230	182	Morgan Crucible	197	–1	8.0	1.6	5.8	13.7
32½	22	Morris (W) F.A. 20p	28½	–½	0.5	♦	2.5	♦
110	91	Moss (Robt.) 10p	102		3.0	2.5	4.2	11.3
81	68	Mysson Grp 10p	70		2.5	3.4	5.1	11.3
328	214	NMW Computers	295		h4.8	2.7	2.9	18.1
43	28	Nash Inds.	30		t2.5	1.5	‡	6.9
48	18	Neil & Spencer 10p	29		—	—	—	5.7
44	14½	Newman Inds 10p	36		—	—	—	17.0
41	29	Norton	33	+1	1.17	4.5	5.1	6.4
183	146	Norcros	173		8.6	2.2	7.1	8.6
67	50	Nu-Swift 5p	55		3.0	1.6	7.8	10.5
111	68	Oakwood Grp.	107	+7	t4.5	1.4	6.0	(15.7)
230	150	Office & Elect	212		7.5	2.4	5.1	11.6
108	75	Oldmore 20p	75		4.0	2.6	7.9	6.4
58	37	Optometrics $0.01	47	+2	Q2c	—	3.3	49.9
495	312½	Oriflame £1	448		23.4	1.0	5.3	10.4
18	12½	Ovenstone 12½c	12½		03.23c	1.9	8.8	6.0
£190	£158	Ozalid 9pc Cnv 87-92	£190	+4	Q9%	—	14.8	—
185	105	PCT Grp 10p	140		3.2	2.2	4.8	16.9
£14	875	PLM 'B' Sk25	875		Q21.6%	♦	5.3	♦
193	142	PSM Intl.	142		5.25	2.5	5.3	9.7
65	50	♦Pacific Sales 10p	57		2.4	2.2	6.0	(8.6)
209	165	Parker Knoll 'A'	175	+2	9.0	2.8	7.3	6.9
102	45	♦Parkfield Group 5p	97		2.4	♦	3.6	♦
80	37	♦Pavion Intl	65	–3	—	—	—	—
£190	£101	Do 11pc CnLn '94-02	£153		Q11%	—	7.4	—

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr
52	7	♦Entertain Prod 5p	1		t2.25	2.1
70	50	Fairline Boats 10p	74	+2	t2.63	2.6
304	228	First Leisure £1	292	–1	t6.5	2.8
69	51	GRA Group 5p	55½		—	—
32	25	Grampian TVA 10p	25		h1.67	♦
145	117	HTV Non Vtg	142	+2	h7.0	2.9
148	95	Horizon	110		4.4	3.6
184	90	Im-glo	166	–2	2.9	6.5
134	102	Intasun 10p	123		4.8	3.1
33	4½	♦Intervsn Video 10p	5		—	—
232	170	Juliana's Hldgs 2p	172		2.0	1.2
268	217	LWT	258	+3	14.4	2.3
30	25	♦Leisure Inv 10p	30		—	—
65	55	Leisuretime Int 10p	58		t2.1	3.9
		For Mngmt Ag. M see Chrysalis				
183	155	♦Media Tech Int 20p	158		2.58	3.9
200	124	Medminster 10p	164		t4.85	2.6
280	175	♦Miss World 10p	180		3.6	4.1
127½	70	Nationwide Leisure	74		3.75	2.5
39	15	♦Nuvole Int 20c	18		—	—
24½	19½	♦Owners Abroad	20		1.0	2.2
53	38	Pholax (Lon.)	44		—	—
24½	21½	♦P'dilly Radio NV 5p	22½		1.87	1.1
90	30	♦Pineapple Dnc St 10p	38		1.5	1.2
233	183	Pleasurama 5p	233		h4.6	3.7
121	109	Do. 7pcCvCnRedPf	121		—	—
96	77½	♦Pres Entertain 50p	82½	+½	2.0	2.1
65	28	♦Radio City 'A' NV	35		5.6	0.9
55	42	♦Radio Clyde NV	42		3.25	2.0
63	34	Riley Leisure 10p	38		0.7	—
193	143	Saga Hols. 20p	167		t4.0	2.1
225	100	Samuelson Grp 20p	225		1.8	3.6
42	25	♦Sangers Photo 10p	33		2.0	1.9
202	138	♦Scantro 50p	145		3.68	2.6
156	128	Scot. TV 'A' 10p	150	+2	0.8	2.0
508	319	SeaCo Inc $0.125	337	+17	—	—
15	7	♦SelecTV 10p	7		—	—
140	10	♦Spectrum 5p	14		2.0	4.0
32	23	TSW 5p	20		1.5	2.6
142	100	TVS N/Vtg 10p	137	+2	6.0	2.2

MINES—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
350	117	♦Centennial Min'ls	130		—	—	—
120	65	♦Colby Res Corp	65		—	—	—
550	325	Cons. Murch. 10c	325		t0100c	1.4	10.5
40	24	♦Ennex Int. 1/10p	25		—	—	—
215	115	Hampton Areas 10p	120	–4	3.75	♦	4.2
260	115	♦Highwood Res.	170		—	—	—
£22½	£17½	Homestake Mining $1	£19½		Q20c	—	7.4
310	190	♦McFinley Red Lake	295	+15	—	—	—
300	195	♦Musto Explorations	295	+20	—	—	—
55	23	♦New Sabina Res C$1	45		—	—	—
375	245	Northgate C$1	287	–13	—	—	—
685	533	RTZ	535	–3	20.0	2.7	5.3
£145½	£116½	Do. 9¼pcLn '95-2000	£118	–1	Q9½%	14.0	8.1
£14½	£10	♦Tara Exptn $1	£10⅞	–⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	96	.....	Arnott	180	.....
Craig & Rose £1	708	.....	CPI Hldgs	56	.....
Finlay Pkg. 5p	61	.....	Carroll Inds.	143	.....
Higsons Brew	295	.....	Dublin Gas	72	.....
Holt (Jos) 25p	720	.....	Hall (R. & H.)	56	.....
IoM Stm. £1	85	.....	Heiton Hldgs.	18	.....
IRISH			Irish Ropes	48	.....
Fund 11¼% 1988	£101⅛	.....	Jacob (W. & R.)	85	.....
Nat. 9¾% 84/89	£97¼	.....	Unidare	87	.....
Fin. 13% 97/02	£109½	..			

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Light profit-taking dissuades investors ahead of today's banking statistics

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 15	July 25	July 26	Aug 5
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9

* "New-time" dealings may take place from 9.30 am two business days earlier.

Further light profit-taking ahead of today's banking statistics pushed leading shares lower until a small recovery developed in the late trade. This enabled the FT Ordinary share index to rally from the session's lowest of 941.7 and close a net 7.2 down for a two-day fall of 16 points to 943.9. The easier tone also reflected a steadier performance by sterling, together with the absence of news to stimulate markets in front of the Britoil offer-for-sale.

Applications for the sale of the Government's remaining 48.8 per cent, some 243m shares, of the oil group must be submitted by 10 am on Thursday. The issue is expected to be a success and the price of existing Britoil shares stayed at 217p compared with issue level of 185p, payable 100p on subscription, of the new shares.

Few bright features appeared in the market, although Stores were initially stirred by Burton's weekend seizure of Debenhams. Considerable activity developed in both issues and interest soon spilled over into secondary stocks reckoned to be possible bid targets. Debenhams eventually slipped back from the highest level but still closed 7 up at 333p, while Burton ended 3 to the good at 465p. House of Fraser was still buying Debenhams' shares on a selective basis yesterday.

Business in Government securities was especially slow and prices hovered either side of Friday's late levels before hardening to close with small mixed changes on balance. Confident predictions that the excessive rate of UK monetary growth had slackened last month — official figures will be announced at 2.30 pm today — failed to arouse operators. Index-linked issues, on the other hand, displayed a distinctly easier trend and sustained falls ranging to ⅜.

Allied Irish easier

Allied Irish fell 13 to 125p on the after-hours' announcement that First Maryland Bancorp, in which it holds a near-43 per cent stake, had discontinued merger discussions with a larger bank holding company; Bank of Ireland softened a couple of pence to 335p in sympathy. Standard Chartered, down 8 at 445p, continued to reflect the deteriorating political situation in South Africa. Lloyds rose 5 to 398p after comment on the interim results, but other clearers drifted lower on lack of support with now seemingly little for investors to go for now that the dividend season is out of the way. NatWest, after last week's fall of 57 on the disappointing interim figures, reacted 8 more to 630p. Barclays softened a few pence to 394p, as did Midland, to 385p.

Container manufacturer and rental group Tiphook made a subdued market debut; as expected, the shares traded at a discount to the offer price of 110p and settled at 106p. Electronics concern Control Techniques were given a good reception and closed at 120p compared with the placing price of 115p. In the Unlisted Securities Market, art publishers and dealers CCA Galleries opened at 77p and moved up to 81p which compares with the placing price of 80p.

Arthur Bell hardened a few pence more to 240p on further consideration of Ladbroke's acquisition of a 3.25 per cent stake in the company; the group's official defence document against the unwelcome bid from Guinness is imminent. Guinness, meanwhile, attracted support and closed 6 better at 253p. Wolverhampton and Dudley gained 6 to 342p following publicity given to an analysts meeting, while Bass improved 5 to 555p. Buckleys, however, dropped 4 further to 68p as bid hopes faded.

Leading Buildings turned easier reflecting the less optimistic outlook for short-term interest rates. Recently-firm Construction issues were marked lower in the face of scattered selling and closed on a rather drab note. Costain came back 10 to 438p and Taylor Woodrow lost 7 to 450p, while AMEC gave up 4 at 274p. Fears about the possible impact of imported Spanish cement again depressed Blue Circle which slipped to 503p before encountering buyers late in the session and closing just a couple of pence cheaper on balance at 508p. Rugby Portland Cement were on offer for the same reason and lost 2 more to 120p. The majority of secondary issues went lower, but Milbury were excited by news that St Piran had entered into negotiations which may lead to the sale of its 78.7 per cent stake and touched 37p prior to closing a net 5 up at 35p.

ICI traded quietly and settled 10 lower at 677p. Among other Chemicals, Wardle Storeys met with occasional support and rose 3 to 178p, while Foseco firmed the same amount to 197p. Buying in a restricted market lifted Moreean 12 to a 1985 peak of 262p.

Stores buoyant

The success of Burton's offer for Debenhams drew fresh attention to the asset value and takeover vulnerability of other departmental Stores. Owen Owen spurted 35 to 275p, after 280p, while Moss Bros rose a similar amount to 450p. J. T. Parrish, excited by news that Spedley Securities now controls just under 30 per cent of the equity, closed 55 to the good at 375p. Buyers also showed interest in Liberty, which advanced 50 to 720p with the non-voting shares a like amount dearer at 520p. Favourable Press comment lifted Dunhill 15 to 337p and Cecil Gee 5 to 135p but Warehouse, which revealed sharply reduced full-year profits, slumped 35 to 355p.

Press forecasts that STC will announce a £10m interim deficit on Friday put the brake on the shares' recent good recovery and the close was 10 lower at 96p, after 94p. Elsewhere in Electricals, Cable and Wireless relinquished 10 to 525p and Ferranti gave up 4 to 124p. Unitech cheapened a few pence to 215p ahead of today's preliminary results and BSR lost 3 to 62p on profit-taking. Recently firm Volex cheapened 7 to 205p in front of today's annual general meeting, but Cray hardened a couple of pence to 212p following the results. CASE rallied 10 to 212p and Memec put on 8 to 270p. With the exception of Thorn EMI, 3 dearer at 332p, the leaders drifted lower. GEC lost 4 at 184p, as did Racal, at 156p.

Tace were outstanding in Engineerings, the old shares closing 20 higher at 470p and the new nil-paid shares 13 better at 38p premium. Glynwed rose 4 to 192p in response to the impressive interim results and confident statement regarding second-half prospects. Takeover favourite TI, however, lost 9 to 318p on profit-taking ahead of Thursday's interim figures. Bullough gave up 10 to 190p and Vosper 13 to 142p. Among the leaders, GKN softened a penny to 211p, after 210p; the half-year figures are scheduled for tomorrow.

Cadbury Schweppes were unsettled by a broker's downgraded profits forecast and slumped to a year's low of 133p before closing a net 7 down at 137p. Rowntree Mackintosh lost 7 to 378p and Ranks Hovis McDougall, a firm counter last week, came back 4 to 145p. Food Retailers drifted lower, Tesco giving up 5 at 262p and Associated Dairies a couple of pence at 143p. Dee slipped 4 to 258p ahead of Thursday's annual results. Elsewhere, speculative counters Squirrel Horn and Tavener Rutledge encountered profit-taking and both closed 5 down at 30p and 53p respectively. John J. Lees, however, rose 10 more to 165p in a restricted market.

LRC below best

Miscellaneous industrial leaders displayed no set pattern after a quiet trading session. BTR retreated 13 to 323p and Reckitt and Colman relinquished 8 at 477p, but Glaxo hardened ¼ more to £13 in reply to Press comment and BOC hardened 2 afresh to 292p ahead of Thursday's third-quarter figures. Elsewhere, weekend press comment highlighting bid possibilities kept buyers interested in LRC which improved 4 more to 139p, after 140p. Bestwood found support at 250p, up 15, while speculative improvements of 7 and 10 respectively were seen in Oakwood, 107p, and Jacksons Bourne End, 285p. Securicor improved 3 to 215p in anticipation of tomorrow's interim statement, but Reuters were only a penny dearer at 285p, after 288p, despite the 43 per cent interim profits increase. Celtic Haven reacted from an initial firm level of 110p to finish a net 4 off on balance at 104p and Consultants dropped 4 to 53p following the first-half figures. Mitchell Cotts gave up 2½ to 59½p in reaction to adverse comment and Extel declined 7 to 310p. Smiths Industries relinquished 5 at 191p and Brammer dipped 8 at 290p.

Among television issues, Anglia A firmed 2 to 152p on news of the agreement to sell part of its holding in East Anglia Securities.

Publishers were generally content to mark time in subdued trading, although press comment lifted Associated Book a couple of pence to 215p and William Collins A 12 to 620p. Elsewhere, a brief flurry of speculative demand left perennial takeover chesnut DRG 3 better at 184p, but Richard Clay succumbed to occasional offerings and dipped 6 to 146p. Good Relations touched 217p before settling a up on balance at 213p; the interim results are scheduled for August 15.

The Property leaders drifted gently easier in quiet trading, but several bright spots emerged among the second-liners. Press comment gave a further boost to Regalian, up 6 more at 234p, while good annual results lifted Peel Holdings 5 to 455p. Country and New Town firmed 2 to 103p on news of the sale of its freehold interest in a Paris office building for £11m. Estate agents attracted buyers. Bairstow Eves rose 6 to 88p, and Mann and Co gained 8 to 182p.

Among Textiles, Dawson International met with support and gained 8 to 248p, while David Dixon firmed 4 to 174p awaiting today's annual results.

Oils quiet

Investment activity in the Oil sector was restricted by the approaching sale of the Government's 48.8 per cent holding in Britoil and the leaders fluctuated narrowly prior to closing virtually unchanged. Britoil eased to 215p prior to finishing unaltered at 217p, but Shell Transport managed a modest gain at 688p ahead of Thursday's interim results. Tricentrol attracted occasional interest and hardened 3 to 190p. Elsewhere, speculative counter Falcon Resources encountered profit-taking and dipped to 60p before closing 7 off at 63p.

Golds quietly dull

South African Golds recovered a certain level of composure after the traumatic events of the past couple of weeks. The nervous political situation in the Republic obviously precluded fresh investment, but actual selling was of minimal proportions. The strike call by the National Union of Mineworkers, South Africa's largest all-black trade union, was accepted with equanimity by dealers and consequently had little appreciable impact on share prices. Bullion put up a better showing than of late and finally closed $2.75 up at $323.5 an ounce.

Losses among heavyweight Golds were usually confined to around a half-point, although Vaal Reefs dipped 2¼ to £50¼. Among smaller-priced issues, losses of around 20 were common to Blyvoor, 365p Kinross, 955p and Durban Deep, 718p. The FT Gold Mines index fell 6.5 to 309.2.

Financials also proved to be generally resilient and, with the exception of Amgold, ¾ lower at £52¾, held close to pre-weekend positions. London-domiciled issues fared less well with Consolidated Gold Fields 12 off at 405p and RTZ 3 lower at 535p. Platinums also lost ground. Impala shed 20 to 555p, while Rustenburg gave up a similar amount at 475p.

Australian Golds, in contrast, enjoyed an active session in overnight Sydney and Melbourne following substantial switching from beleaguered South African counters. Business levels were not matched in London, but share prices still made headway. Central Norseman advanced 20 to 513p, while smaller rises were noted in Poseidon, 226p, and Gold Mines of Kalgoorlie, 605p. Whim Creek spurted 12 to 166p, and Sons of Gwalia, firm recently amid talk of a "buy" recommendation being in the offing, improved 8 more to 153p. Diversified stocks also made an encouraging showing under the lead of Peko-Wallsend, 12 up at 249p. CRA, 308p, and Western Mining, 221p, rose 5 and 6 respectively.

FINANCIAL TIMES STOCK INDICES

	Aug. 5	Aug. 2	Aug. 1	July 31	July 30	July 29	year ago
Government Secs....	82.96	82.96	83.21	83.48	83.87	83.85	77.80
Fixed Interest........	88.24	88.29	88.49	88.56	88.74	88.63	81.65
Ordinary ♥..............	943.9	951.1	959.2	945.1	936.0	932.4	830.3
Gold Mines..............	309.2	315.7	319.2	330.6	335.2	342.1	538.3
Ord. Div. Yield	4.93	4.91	4.88	4.96	4.98	4.99	4.95
Earnings, Yld. % (full)	12.11	12.06	11.97	12.18	12.29	12.44	11.57
P/E Ratio (net) (*)......	10.16	10.22	12.36	10.12	10.02	9.82	10.43
Total bargains (Est.)	19,314	21,003	24,263	20,216	20,225	20,241	19,152
Equity turnover £m.	—	423.98	473.59	332.75	364.46	341.67	960.17
Equity bargains	—	16,729	17,672	16,510	22,065	11,258	16,457
Shares traded (mil.)..	—	198.9	219.3	172.6	181.9	164.2	134.8

♥ 10 am 947.7. 11 am 946.1. Noon 943.1. 1 pm 942.2. 2 pm 941.8. 3 pm 941.7. 4 pm 942.9.

Day's High 948.5. Day's Low 941.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 8.80.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	78.09 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int...	88.74 (30/7)	82.17 (25/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ...	1024.5 (22/1)	911.2 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	666.9 (15/4)	309.2 (5/8)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Aug. 2	Aug. 1
Daily Gilt Edged Bargains....	134.2	159.4
Equities Bargains....	106.4	114.5
Equities Value..........	857.6	266.8
5 day Average Gilt Edged Bargains....	167.2	152.5
Equities Bargains ...	107.8	110.9
Equities Value..........	782.7	844.2

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (37)

AMERICANS (1)
Union Carbide

BANKS (2)
Allied Irish, Copenhagen Handels.

BREWERS (2)
Marston Thompson, Wolverhmptn. Dudley

BUILDINGS (2)
Brickhouse Dudley, Manders (Hldgs.)

CHEMICALS (1)

NEW LOWS (50)

ACTIVE STOCKS

FRIDAY'S ACTIVE STOCKS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	32	24	52
Corpns. Dom. and Foreign Bonds	7	12	59
Industrials	236	280	967
Financial and Prop.	92	105	360
Oils	24	16	86
Plantations	1	5	12
Mines	56	51	72
Others	30	107	106
Totals	477	599	1,706

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug 19	Sept 6	Nov 21	Dec 2
Sept 9	Sept 20	Dec 5	Dec 16
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service.

Money was given for the call of STC, Brycon, John Brown, Johnson Matthey, Berkley Exploration, Tilbury, LRC, Bremner, Marley, Hawley and James Finlay. A put was taken out in Polly Peck, while a double was done in Victoria Carpet.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

LONDON TRADED OPTIONS

WORLD STOCK MARKETS

AUSTRIA

Aug. 5	Price Schs	+ or −
Creditanstalt	342	+2
Goesser	508	+5
Interunfall	1,550	
Laenderbank	334	
Perlmooser	356	−7
Steyr-Daimler	178	+2
Veitscher Mag	526	−4

BELGIUM/LUXEMBOURG

Aug. 5	Price Frs.	+ or −
B.B.L.	2,045	+5
Banq. Gen Lux	8,900	+80
Banq. Int. A. Lux	6,580	+30
Bekaert B	5,440	−40
Ciment CBR	2,205	−100
Cockerill	212	
Delhaize	7,800	−200
EBES	2,875	
Electrobel	6,440	−20
[illegible]	[illegible]	[illegible]

GERMANY — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

AUSTRALIA — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — [illegible]

JAPAN (continued) — [illegible]

SINGAPORE — [illegible]

SOUTH AFRICA — [illegible]

DENMARK — [illegible]

FRANCE — [illegible]

ITALY — [illegible]

NETHERLANDS — [illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Indices

NEW YORK — DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

Aug 5	Aug 2	Aug 1	July 31	1985 High	1985 Low
110.82*	111.18	110.47		113.40 (17/7)	94.60 (4/1)

RISES AND FALLS

	Aug 2	Aug 1	July 31
Issues traded	1,885	2,011	1,975
Rises	588	1,040	985
Falls	818	548	602
Unchanged	479	423	412

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Beatrice Co	2,188,800	32	+1¾	Mobil	1,309,900	29¾	+⅞
East Air	1,833,500	11⅝	−⅛	Unocal Cp	1,304,700	29⅝	+⅛
Manville	1,864,700	6⅝	−1½	ATT	993,500	21⅛	−¼
MGM Film	1,839,800	22¾	+4½	Imp Chem	785,500	37	−⅞
Mid-So Util	1,826,100	12	+⅛	Pan Am Corp	780,900	7	unch

Advances 372 Declines 1,162

Indices (AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD) — [illegible]

MONTREAL

Closing prices August 2

17152	Bank Mont	$30⅛	30	30	−⅛
1104	BombrdrA	$14½	14¼	14¼	
13844	BombrdrB	$14¾	14	14⅝	+⅝
23250	CB Pak	$21½	21⅛	21¼	+½
8125	Cascades	$17¼	17	17¼	+¼
1600	ConBath	$18⅞	18¾	18¾	−¼
8575	DomTxtA	$12	11¾	12	+⅛
8840	Gaz Metro	$11⅝	11½	11⅛	
11800	MetTrst	$16	16	16	
22230	NatBk Cda	$21¼	21	21⅛	+¼
19949	Power Corp	$19¾	19⅛	19⅝	+⅝
100	RollandB	$21	21	21	+1⅛
3670	Royal Bank	$31¼	31⅛	31⅛	
410	RoyTrstco	$21⅝	21	21½	+¾
1580	SteinbrgA	$23¾	23⅛	23¾	+½

Total Sales 1,796,002 shares

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Bairstow Eyes	88	+6
Guinness	253	+6
LRC Int	139	+4
Liberty N/V	520	+50
Mann & Co	182	+8
Milbury	35	+5
Owen Owen	275	+35
Parrish (JT)	375	+55
Peko Walls	249	+12
Whim Creek	186	+12

FALLS

Tr 2½% IL 2020	£93½	−£⅝
Allied Irish	125	−13
Cadbury	137	−7
Costain	438	−10
Falcon Res	63	−7
ICI	677	−10
STC	96	−10
TI	318	−9

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 31

[illegible]

Prices at 3pm, August 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

We regret that due to communications problems this listing is incomplete.

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40½	31	PaPL	pf4.50	12.		z130	38	38	38	
78¼	57¾	PaPL	pf8.60	12.		z75	72½	72½	72½	
29½	24⅛	PaPL	dpr3.42	12.		13	29	28⅞	28⅞	+⅛
27½	21¼	PaPL	dpr2.90	11.		22	26¼	26⅛	26⅛	
72¾	58	PaPL	pr8.40	12.		z120	70⅝	70⅝	70⅝	+⅝
28½	23½	PaPL	dpr3.25	12.		11	28¼	28	28	−¼
91¼	25¾	PaPL	dpr3.75	12.		15	31⅛	30⅝	30⅞	+⅛
91	70	PaPL	pf9.24	10.		z50	89½	89½	89½	
100	81¾	PaPL	pr 11	11.		z216	100	98⅝	98⅝	
70⅞	55	PaPL	pr 8	12.		z670	66	64½	64½	−1
74½	58¼	PaPL	pr3.70	12.		z50	71	71	71	−⅝
41½	34	Pennwlt	2.20	5.5	15	58	40½	39⅞	39⅞	−⅞
25⅝	20	Pennw	pf1.60	6.5		2	24¾	24¾	24¾	−¼
50	27¼	Pennzoil	2.20	4.5	20	637	49⅝	48¾	48⅞	−¼
18⅞	10	PeopEn	.20	7.9	6	476	16⅛	15⅝	15⅞	+¼
24⅝	14¼	PepBys			19	177	22⅞	22½	22¾	
60½	39⅞	PepsiCo	.76	3.1	19	1447	57¾	57½	57⅝	−¼
30⅛	21⅝	PerkEl	.56	9.1	14	695	27½	27⅛	27¼	−⅜
9¾	7⅜	Prmian	1.17e	14.	9	80	8¼	8⅛	8⅛	−⅛
22⅝	15¼	PeryDr	.28	1.3	10	43	21⅞	21½	21½	−⅜
44	31	Petrie	1.40	3.7	14	121	37⅞	37¾	37⅞	−⅛
28⅝	24⅝	PetRs	3.72e	14.		36	26⅜	26¼	26¼	−¼
17	14	PetRs	pf1.57	9.5		15	16⅞	16⅝	16½	
6⅞	2¼	Ptrlnv	.95e	29.		73	3⅜	3⅛	3¼	−½
53¾	33¾	Pfizer	1.48	3.0	16	2205	49¼	48⅞	49¼	
24	12⅞	PhelpD				2833	23⅝	23	23	−¼
55	34	Phelp	pr 5	9.3		25	53½	53½	53½	−¼
46¾	20	PhibrS	.54	1.2	23	1730	43½	43¼	43½	−⅛
16⅝	11	PhilaEl	2.20	14.	9	1548	15⅝	15½	15½	−¼
36½	25½	PhilE	pf4.40	13.		z220	34	34	34	
37½	28¾	PhilE	pf4.68	13.		z290	36½	35½	36½	+½
56	40	PhilE	pf 7	13.		z300	54¼	54¼	54¼	+¼
67¼	51	PhilE	pf8.75	14.		z100	63¾	63¾	63¾	−½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, August 5

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
Cordis		35	10	9¾	9¾	−½
CoreSt	2.06	794	57⅞	56⅝	56¾	−⅜
Corvus		139	2¼	2⅛	2⅛	
Cosmo		52	4	3⅞	3⅞	−⅛
CrkBrl	.14	11	13½	12¾	12¾	
Cronus		114	10	14⅝	14¾	+⅛
CrosTr	.80	580	20	27¾	27¾	
CwnBk		33	11¼	11⅛	11¼	+⅛
Crump	.44	141	33¾	33¼	33¼	
CullnFr	.94	176	21¾	21	21¾	+½
Cullum	.56	4	27½	27½	27½	−⅜
Cycare		104	20¾	20	20	−½
D D						
DBA		1	15	15	15	−½
DEP		6	10	9¾	9¾	−¼
DSC		3316	16¼	15¾	16	−⅛
DaisySy		1493	26¾	25⅝	26¼	−¼
DalosF		154	29½	28½	29½	+1
DnnBio		114	7	6⅝	6⅝	−¼

We regret that due to communications problems this listing is incomplete.

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
FtATn	1.28	115	37⅝	36⅞	37	−⅜
FtColF		17	18½	18	18½	
FComr	1.20	41	27¼	26½	25⅝	+¼
FtCont	1.12e	49	7⅞	7⅝	7⅝	−¼
FDataR		20	30	30	30	
FExec		707	13⅛	13	13	−⅛
FFdCal		50	35	24¼	24½	−½
FFFIM	.40b	30	23	22½	23	
FtFnCp	.63	42	26¼	25¾	25¾	−¼

Continued on Page 29

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Retreat after economy and rates fears

NERVOUSNESS over the outlook for the U.S. economy and for interest rates sent Wall Street financial markets into a fresh retreat yesterday, *writes Terry Byland in New York.*

Industrial stocks gave ground after sluggish employment trends and a bearish report from the nation's purchasing managers indicated that the U.S. economy remained weak in July. But the near-term outlook for interest rates also clouded over, as the bond market braced itself for this week's auctions of a record Treasury quarterly financing of $21.75bn.

The stock market opened sharply down and could make no sustained recovery. Selling pressure, while not heavy, proved persistent, and the blue chips gave fresh ground after reports that President Reagan had told reporters that the skin patch removed last week was cancerous.

At the close, the Dow Jones industrial average was 6.16 down at 1,346.89.

Worries over interest rates brought renewed selling of utility issues. There was hefty profit-taking in airline stocks, and most of the manufacturing sectors turned easier.

In banks, BankAmerica slipped $⅛ to $16⅞ as Wall Street awaited news from a board meeting which was expected to consider cutting the dividend payout.

Other bank stocks also weakened on the prospect that short-term rates might be forced higher by the Treasury financing. Bankers Trust eased $½ to $67⅞, and Chase Manhattan at $56⅝ gave up $⅝.

Among the utilities, it was Commonwealth, $⅜ off at $29⅜, and Southern California Edison, $½ down at $24, which saw the sellers.

United Airlines dipped $⅜ to $57⅞ on light selling. Eastern, strong last week on recovery prospects, had another heavy trading session and shed only $⅛ to $11⅞. Delta fell $1 to $49⅜. However, Pan Am held steady at $7.

But the chief talking point for the airline stock dealers was the offer of $24 a share for the TWA equity from Mr Carl Icahn. TWA stock edged up $⅛ to $22⅜ on the news.

Toronto and Vancouver stock markets were closed for Civic Day.

High technology stocks saw only light selling. At $130⅞, IBM was $¾ off. Digital Equipment remained unchanged at $103⅛, while Honeywell shed $⅞ to $64½ and Burroughs $½ to $64⅜.

General Dynamics added $1 to $76⅝, but other defence stocks gave up some of their recent gains. Lockheed at $52¼ was $1¼ down as Boeing gave up $⅝ to $49⅛.

Stock in Manville fell $1½ to $6⅝ after the board offer to asbestos disease victims, in a move which could bring the company out of bankruptcy proceedings but cut profits by one fifth. Turnover in Manville was heavy, boosted by a single block of 1m shares crossed by Goldman Sachs.

Heavy block trading was also seen in Unocal, which added $¼ to $29⅜.

Among entertainment issues, MGM-UA Entertainment jumped $5 to $22⅞ in heavy trading after confirmation that Mr Ted Turner is planning a $29 a share offer. Meanwhile, CBS, having successfully resisted a Turner bid, fell $4⅞ to $106⅛ as disappointed speculators baled out.

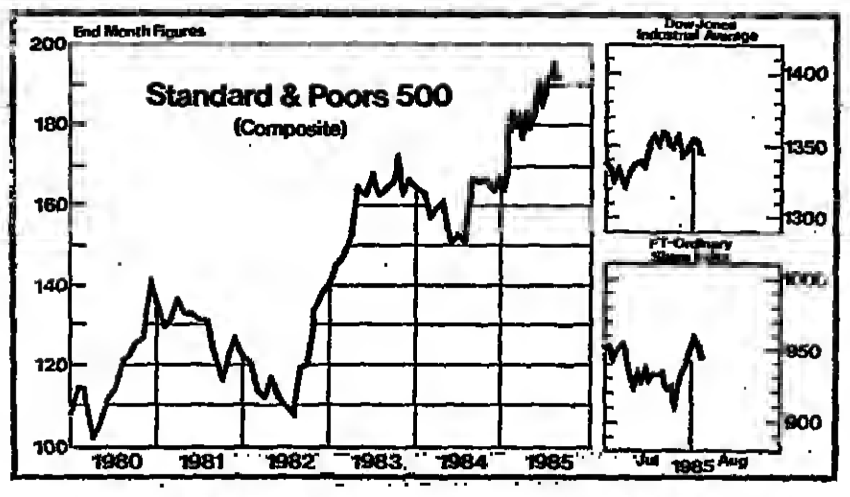
Oil shares were narrowly mixed, with investors making little further response to the downward slide in world and U.S. crude prices. The sale of its stake in Gulf Canada for C$2.3bn left Chevron $⅛ off at $36⅛.

The lacklustre employment figures for July discouraged consumer and retail issues. In tobaccos, Philip Morris dipped $1 to $83⅜, and R. J. Reynolds at $28½ was $⅛ off.

The credit markets lay inert beneath the shadow of the Treasury financing which opens today with the auction of $8.5bn in three-year notes. A federal funds rate at 7$\frac{13}{16}$ per cent was an additional discouragement at the short end, where Treasury bill rates hardly moved from overnight.

Long-dated federal bonds were also sluggish. Prices were inclined easier, with the federal financing prospects outweighing any benefit from indications that the economy is slowing, which would otherwise be a positive signal for bond prices.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Aug 5	Previous	Year ago
DJ Industrials	1,341.51*	1,353.05	1,202.08
DJ Transport	692.77*	699.44	525.67
DJ Utilities	155.18*	156.86	126.49
S&P Composite	190.15*	191.48	162.37
LONDON			
FT Ord	943.9	951.1	830.3
FT-SE 100	1,271.8	1,280.4	1,065.0
FT-A All-share	612.66	615.95	499.14
FT-A 500	670.64	674.85	540.05
FT Gold mines	309.2	315.7	538.3
FT-A Long gilt	10.29	10.29	10.85
TOKYO			
Nikkei-Dow	12,450.62	12,492.27	10,233.6
Tokyo SE	1,010.45	1,013.86	787.24
AUSTRALIA			
All Ord.	940.5	936.6	713.0
Metals & Mins.	543.4	538.9	440.1
AUSTRIA			
Credit Aktien	94.95	94.60	53.39
BELGIUM			
Belgian SE	2,301.81	2,305.97	
CANADA			
Toronto			
Metals & Minls	closed	2,106.2	1,905.0
Composite	closed	2,798.2	2,303.9
Montreal			
Portfolio	137.12*	137.61	114.56
DENMARK			
SE	N/A	215.39	189.63
FRANCE			
CAC Gen	215.6	215.3	182.4
Ind. Tendance	122.9	122.8	87.1
WEST GERMANY			
FAZ-Aktien	476.29	475.32	335.38
Commerzbank	1,400.7	1,397.3	974.2
HONG KONG			
Hang Seng	1,671.90	1,665.69	894.60
ITALY			
Banca Comm.	362.92	359.39	209.24
NETHERLANDS			
ANP-CBS Gen	218.0	218.6	157.4
ANP-CBS Ind	188.0	187.7	126.9
NORWAY			
Oslo SE	349.95	349.95	280.26
SINGAPORE			
Straits Times	754.78	771.21	965.36
SOUTH AFRICA			
JSE Golds	–	861.1	901.0
JSE Industrials	–	941.5	801.1
SPAIN			
Madrid SE	110.56	110.96	98.78
SWEDEN			
J & P	1,376.19	1,381.31	1,517.89
SWITZERLAND			
Swiss Bank Ind	455.1	456.6	369.5
WORLD	Aug 2	Prev	Year ago
Capital Int'l	220.0	221.4	174.4

GOLD (per ounce)

	Aug 5	Prev
London	$323.50	$320.75
Zürich	$323.75	$322.25
Paris (fixing)	$323.91	$320.64
Luxembourg	$323.50	$321.00
New York (Aug)	$323.50	$321.70

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Aug 5	U.S. DOLLAR Previous	STERLING Aug 5	STERLING Previous
$	–	–	1.3685	1.3715
DM	2.825	2.825	3.865	3.87
Yen	237.4	237.4	324.75	325.75
FFr	8.6125	8.37	11.785	11.8
SwFr	2.322	2.3115	3.18	3.18
Guilder	3.174	3.171	4.34	4.3475
Lira	1,891.0	1,893.0	2,585.0	2,598.0
BFr	56.95	57.05	77.85	78.15
C$	1.352	1.3525	1.8515	1.8535

INTEREST RATES

	Aug 5	Prev
Euro-currencies (3-month offered rate)		
£	11$\frac{9}{16}$	11½
SwFr	4$\frac{11}{16}$	4⅝
DM	4$\frac{15}{16}$	4$\frac{15}{16}$
FFr	12½	13
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8⅛
6-month U.S.$	8½	8½
U.S. Fed Funds	7$\frac{13}{16}$*	7⅜
U.S. 3-month CDs	7.90*	7.75
U.S. 3-month T-bills	7.28*	7.30

U.S BONDS

Treasury		Aug 5* Price	Aug 5* Yield	Prev Price	Prev Yield
8⅞	1987	99$\frac{19}{32}$	9.119	99$\frac{17}{32}$	9.14
10⅜	1992	99$\frac{19}{32}$	10.469	99$\frac{14}{32}$	10.48
11¼	1995	103$\frac{19}{32}$	10.64	103$\frac{19}{32}$	10.64
11¼	2015	104$\frac{11}{32}$	10.749	104$\frac{16}{32}$	10.76

Corporate	Aug 5* Price	Aug 5* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101⅛	9.96	101⅛	9.96
3⅞ July 1990	81¼	8.50	81⅛	8.50
8⅞ May 2000	84	11.00	84	11.00
Xerox				
10⅞ March 1993	97.35	11.00	97.35	11.00
Diamond Shamrock				
10⅞ May 1993	97.035	10.85	97.035	10.85
Federated Dept Stores				
10⅞ May 2013	84	10.95	84	10.95
Abbot Lab				
11.80 Feb 2013	101½	11.50	101⅛	11.50
Alcoa				
12⅛ Dec 2012	101	12.00	101	12.00

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	74–23	74–31	74–18	74–25
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.64	92.66	92.60	92.62
Certificates of Deposit (IMM) $1m points of 100%				
Sept	91.93	91.95	91.92	91.92
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.64	91.65	91.60	91.64
20-year Notional Gilt £50,000 32nds of 100%				
Sept	111–23	111–30	111–17	111–26

COMMODITIES

(London)	Aug 5	Prev
Silver (spot fixing)	449.10p	448.60p
Copper (cash)	£1,049.50	£1,064.00
Coffee (Sept)	£1,666.50	£1,681.50
Oil (spot Arabian light)	$27.275	$27.275

TOKYO

Speculatives offer limited attraction

TRADING was lacklustre in Tokyo yesterday with many institutional investor fund managers on holiday, *writes Shigeo Nishiwaki of Jiji Press.*

Only speculative issues were selected, and the Nikkei-Dow market average dropped again, closing 41.65 lower at 12,450.62. Volume slumped from Friday's 509m shares to a mere 179m, the lowest in almost 12 months. Declines outpaced advances 435 to 314, with 151 issues unchanged.

Constructions, railways and properties, which had been popular since April in anticipation of government moves to bolster domestic demand, entered an adjustment phase, according to brokers. Investors were also awaiting the reaction of the U.S. financial and stock markets to bidding for $21.75bn worth of government bonds starting tomorrow.

Amid the bleak trading, speculators bought volatile issues and sold them quickly to take a profit.

The most heavily traded issue of the day was Sumitomo Construction, which gained Y7 from Saturday to Y380 with 10.11m shares changing hands. The company is said to possess excellent large bridge-building technology, which could be used in the project to construct an expressway across Tokyo Bay planned to start next year.

Nippon Zeon rose Y23 to Y530 on the day's second largest trading of 8.82m, reflecting brisk demand for special synthetic rubber. Defence-related Howa Machinery, third busiest, closed at Y366, a sharp rise of Y26, Mitsubishi Metal added Y5 to Y714 and Nippon Sharyo Seizo Y16 to Y371.

Among budget-affected stocks, Sato Kogyo lost Y5 to Y435 and Wakachiku Construction Y7 to Y688.

Blue chips were neglected, with Hitachi finishing Y4 lower at Y721. However, Matsushita Electric Industrial and Hoya advanced Y20 each to Y1,310 and Y1,750 respectively.

As for biotechnologies, Daiichi Seiyaku dropped Y30 to Y2,500. Kuraray also lost Y30 to Y1,250 and Yamanouchi plunged Y40 to Y3,110.

Elsewhere, Dai-Ichi Kangyo Bank declined Y10 to Y1,620 and Mitsubishi Trust and Banking Y20 to Y1,160.

Holidays and the scheduled bidding for U.S. government bonds also acted as a deterrent to investors in the bond market. The yield on the barometer 6.8 per cent government bonds maturing in December 1994 edged up to 6.355 per cent from 6.350 per cent on Saturday.

HONG KONG

A PHASE of consolidation, evident in last week's trading, continued in Hong Kong yesterday as the market looked for fresh factors to give it a definite direction. Most prices turned mixed to firmer by the end of the session.

Market rumours that Jardine Matheson may sell its stake in its property company sent Jardine 40 cents higher to HK$12.74 and Hongkong Land 25 cents firmer to HK$6.55.

In other property issues, Sun Hung Kai ended 10 cents up at HK$12.80 despite concern over the stroke suffered by its chairman, Fung King Hey.

Elsewhere, China Light lost 20 cents to HK$16.00 while Hongkong Electric rose 5 cents to HK$8.65 and Hang Seng Bank drifted 25 cents lower to HK$47.50.

SINGAPORE

DEPRESSING corporate news and concern over Singapore's worsening economic climate sent prices sharply lower across the board.

The Straits Times industrial index shed 18.43 to 754.76, its largest one-day fall in nine months.

Banks, some of which are expected to release their interim results this week, were particularly badly hit. OCBC fell 20 cents to S$8.30, DBS 10 cents to S$5.30 and both UOB and OUB dropped 6 cents to S$3.68 and S$2.71 respectively.

Other blue chips to fall included Genting, off 15 cents to S$5.65, Fraser and Neave 10 cents to S$5.55 and Singapore Press, also 10 cents to S$5.60.

EUROPE

Foreigners interrupt the summer lull

THE SUMMER lull that descended on the European bourses last week continued yesterday only isolated in Sweden and Italy.

Low volume levels have resulted from many traders taking annual holidays making price and index movements relatively volatile. The underlying strength of the entire market, and individual constituents of that market, does not appear to be in question by either foreign or local investors.

Strong overseas demand surfaced again in **Stockholm** as lower interest rate hopes injected further support. The Veckans Affarer All-share index rose 1.4 points to 479.1 while turnover surged to SKr 162.1m from Friday's SKr 84m. This near doubling in volume contrasted sharply with other European stock markets and resulted partly from Swedish confidence, fuelled by last week's prime ministerial assertions that no new share tax proposals were planned.

Among the main movements, Sandvik rose SKr 3 to SKr 400 while Volvo moved against the trend with a SKr 5 drop to SKr 281. Ericsson was marked SKr 13 lower at SKr 245 in anticipation of losses at its information systems subsidiary. Electrolux retreated SKr 3 to SKr 292.

Others to finish stronger were Asea, SKr 5 up at SKr 315, and Esselte, SKr 5 higher at SKr 360.

Milan firmed although some brokers warned that the market was poised for a consolidation phase spreading to many of the recently favoured sectors. Scattered profit-taking was evident.

Fiat slipped L30 from its high for the year to settle at L4,200 while new 1985 highs were registered by insurer Toro, up L130 at L17,990, and industrial group Pirelli, L10 ahead at L3,080.

Banco Commerciale edged L570 up to L23,720 after last week's state plans to sell a stake in the bank to European institutions.

Montedison was particularly active in after-bourse trading picking up L24 to L2,089.

Car makers featured in a narrowly mixed **Frankfurt** where the Commerzbank index moved 3.4 points higher to 1,400.7 although trading was thin. Porsche continued to recover lost ground and moved DM 15 up to DM 1,294 while VW settled DM 5.70 higher at DM 307 on results.

Degussa held steady at DM 359 despite the uncertainty in the South African gold markets.

Chemicals closed marginally ahead, although Hoechst eased 60 pfg to DM 215.40 while specialist retailer Hussel stayed at its 1985 peak of DM 331. Other stores turned cheaper.

Allianz jumped DM 38 to DM 1,410 amid plans to buy and resell a stake in

capital goods group GHH, which rallied DM 9.80 to DM 176.80 on trading figures and forecasts.

Bond prices firmed, and the Bundesbank sold DM 18.1m in paper against Friday's sales of DM 40.5m.

Light volume inhibited **Paris**. Michelin was sought and finished FFr 39 ahead at FFr 1,129 while relatively strong demand boosted Redoute FFr 46 to FFr 1,540. Darty also managed to pick up FFr 58 to FFr 1,450.

Some of the more export-oriented, and possibly dollar-sensitive, issues lost ground with Perrier FFr 10 off at FFr 481, Moët-Hennessy FFr 11 cheaper at FFr 1,801 and Peugeot FFr 5.50 down at FFr 348.50.

Zurich was steady with few new market developments. Adia posted SwFr 20 rise to SwFr 3,400 amid plans for a joint venture in Japan. Swissair put on SwFr 5 to SwFr 1,380, and leading food group Nestlé dipped SwFr 10 to SwFr 6,610 after an early rise.

Bonds finished steady in selective trading.

Amsterdam and **Madrid** started the week lower in subdued trading while **Brussels** tended narrowly mixed in light holiday activity.

AUSTRALIA

Golds shine on back of strike threat

GOLD stocks soared in Sydney following concern over the threatened miners' strike in South Africa. The gold index rose 31 points to a record 1,075.7, *writes Michael Thompson Noel in Sydney.*

Sentiment was aided by rumours that the Australian Government had abandoned plans to introduce a tax on gold mining in its budget later this month.

Australian gold mining is exempt from all taxes except in Queensland, which levies a state royalty.

Brokers said recent sharp increases in the gold index were prompted partly by shortages of scrip and by evidence that local institutions were keen buyers of leading gold shares.

Among golds, Central Norseman rose 30 cents to A$9.80, Kidston 22 cents to A$5.30, Placer 50 cents to A$27.00 and Peko 10 cents to A$4.75.

LONDON

FURTHER light profit-taking ahead of today's banking statistics pushed leading shares lower until a small recovery developed in late trading.

This enabled the FT Ordinary share index to rally before closing 7.2 down at 943.9. The easier tone also reflected a steadier performance by sterling.

Government securities prices hovered either side of Friday's late levels before hardening to close with small mixed changes on balance. Index-linked issues, however, displayed a distinctly easier trend and sustained falls ranging to ¾.

Chief price changes, Page 29; Details, Page 28; Share information service, Pages 26–27

SOUTH AFRICA

THE LOWER trend continued in Johannesburg yesterday as an already nervous market was further pressured by a possible strike from August 25 by the National Union of Mineworkers.

Golds closed at their day's lows, despite a steady bullion price. Kloof fell R2.50 to R63, Driefontein shed R2 to R40.25 and Anglo American Gold lost R4.75 to R158.

Barlow Rand was 2 cents lower at R10.45 ahead of news that two workers were killed in a pressure burst at its East Rand mining subsidiary.